FINANCIAL TIMES

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WORLD NEWS

EU relations with Turkey hit fresh trouble over invitation

EU relations with Turkey ran into fresh difficulties after Ankara criticised the EU for attaching "unacceptable conditions" to an invitation to attend a pan-European conference next year. PM Mesut Yilmaz eppeared to rule out Turkish participation in the conference of present and future EU members in March. Page 16; Editorial Comment, Page 15; Philip Stephens, Page 14

Mexican budget passed
Mexico's Lower House has passed the 1998 budget, ending e long wrangle between the government and opposition parties which threatened to impose sweeping changes on president Ernesto Zedillo's programme.

Swiss banks in Holocaust talks
The big three Swiss banks – Credit Suisse, UBS and Swiss Bank Corporation – seem to be moving closer to a settlement of US lawsuits over the accounts of Holocaust victims. Page 2

Euro-Med talks falter
Euro-Mediterranean Partnership talks are making little progress because of the stalled peace talks between Israel and the Palestinians. Page 5

Ulster peace talks
Irish PM Bertie Ahern said that the Northern Ireland peace talks are to be will be held in London and Dublin as well as Belfast in the new year in a bid to revive progress. Page 6

Mandela hands over the reins
South African president Nelson Mandela has confirmed that his role has become primarily ceremonial. Page 4

US seeks open sky network
The US foresees an open market eviation network in the Asia-Pacific area, with bilateral pacts linking each country. Page 5

Party backs Klaus
Outgoing Czech PM Vaclav Klaus has been given a vote of confidence by his Civic Democratic party despite the collapse of his centre-right government. Page 2

China arms sales pressure
Pressures to ease restrictions on arms sales to China are set to increase, following improved military contacts between Beijing and Washington. Page 4

EU set to help part-timers
EU countries are expected to back proposed new laws guaranteeing part-time workers equal rights. Page 2

German bomb evacuation
26,000 people were cleared from their homes in the Rhine town of Ludwigshafen in Germany's biggest evacuation to defuse a Second World War bomb.

Croatia eyes Cefta
Croatia is closer to joining the Central European Free Trade Association after signing a free trade agreement with Slovenia. Page 2

Covert training revealed
An extraordinary story of a covert operation to break Australia'e powerful waterfront unions with "industrial mercenaries" trained in the Middle East has been revealed. Page 4

Chirac tours Gulf
President Jacques Chirac is beginning a sales drive in the United Arab Emirates to tie up deals for France'e defence industries. Page 2

My word is my Bond
The UK'e Bank of Scotland is to give James Bond fans a licence to spend with the launch of an 007-branded Visa Card bearing the trademark gun barrel and Bond silhouette.

BUSINESS NEWS

US partners set to back merger of KPMG with Ernst & Young

US partners at KPMG and Ernst & Young will begin voting tomorrow and are expected to favour the global merger of the two accountancy and consulting firms. Preliminary results from the UK suggest that both are enjoying strong growth. Page 17

KLM Royal Dutch Airlines appears set to win the battle against Air France and Swissair to forge a strategic partnership with Alitalia, the Italian flag carrier. Page 17

Deutsche Telekom chief executive Ron Sommer could face jail if the company fails to comply with a court ruling that it should deliver to British Telecommunications trading information about its international joint venture, Global One. Page 16

Standard Life, Europe'e biggest mntual life and pensions company, announced record annual figures with a 17 per cent rise in UK new business to £2.3bn ($3.8bn) and 20 per cent rise in worldwide new business to £3.3bn. Page 18

Hyundai, the Korean industrial conglomerate, is to invest in a joint venture with Polish carmaker Sobieslaw Zasada Centrum for local production and assembly of Hyundai's small Atos car. Page 19

Coats Viyella, the UK's largest textile and clothing group, is expected this week to unveil proposals to break up its interests. Page 18; Lex, Page 16

Dresdner Bank of Germany, beset by management upheaval, faced further controversy after Hansgeorg Hofmann, head of investment banking arm Dresdner Kleinwort Benson, admitted tax evasion. Page 2; Lex, Page 16

France's René de La Serre, chairman of the self-regulatory stock market authority Conseil des Marchés Financiers, criticised rules that have frozen the FFr55bn ($9.26bn) hostile bid for the insurer AGF by Italian rival Generali. Page 19

The New York Stock Exchange bell will be rung today by Bob Seelert, chief executive of Cordiant, opening trading in shares of the group'e demerged Saatchi & Saatchi advertising and Cordiant Communications. Page 18

Yukos, the Russian oil company, raised $1bn from western banks in the first week of December, despite nervous markets. Most of the money was used to acquire rival Eastern Oil. Page 17

Desire Petroleum, the company formed to explore for oil and gas off the Falkland Islands, is planning to come to the UK's Alternative Investment Market in February with hopes of raising £7m-£10m ($16.5m). Page 18

TRW, the US space and defence company, is setting up a telecommunications division to step up its transfer of military technologies to the commercial sector. Page 19

Siam City Bank of Thailand said it had failed to raise Bt3bn ($66.7m) from its shareholders, which could jeopardise a deal under which ING Bank would take e 10 per cent stake in the Thai commercial bank. Page 19

The Corporation of London has granted planning consent for building a further 13m sq ft of office space in the City of London financial district. Page 6

Core Pacific, one of Taiwan'e largest securities companies, has agreed to buy the Hong Kong operations of Yamaichi, the failed Japanese broker. Page 17

Japanese recovery looks 'fragile'

World growth to be hit by Asia fallout, warns OECD

By Richard Adams and Edward Luce in London

Growth in the world's leading economies could be nearly 1 per cent lower next year as a result of financial turbulence in Asia, according to revised forecasts by the Organisation for Economic Co-operation and Development.

"The international integration of financial markets leaves few countries unexposed," the OECD says in the latest edition of its twice-yearly Economic Outlook,

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be published on Wednesday.

It says total OECD growth may be depressed by 0.3 per cent this year and 0.9 per cent in 1998, while growth in the US may be reduced by 0.3 per cent this year and 0.7 per cent next year. In the European Union growth will be 0.3 per cent lower in 1997 and 0.8 per cent lower in 1998.

The heaviest impact on growth will be felt in Asia. The OECD saye Japan's recovery has become "increasingly fragile" and it has downgraded its 1998 growth forecast for Japan to 1.7 per cent from 2.3 per cent. It estimates the turbulence will knock 1.4 per cent off the potential growth rates of Japan, South Korea, Australia and New Zealand in 1998.

But the OECD said its figures should be treated with caution, because of the difficulties in analysing the effects within the south-east Asian economies.

Outside Asia, the OECD expects activity to etay robust and its 29 member economies to grow by 2.9 per cent in 1998. Most of the growth will be in continental Europe. Combined growth in the EU is expected to rise from 2.6 per cent this year to 2.8 per cent in 1998. Higher growth in Germany, where gross domestic product is forecast to rise by 3 per cent, is a main reason.

In the US, tighter monetary policy and the strength of the US dollar against its main trading partners will result in a slowdown from 3.8 per cent this year to 2.7 in 1998. Economic growth is expected to continue during 1999 at a lower rate of 1.9 per cent.

The OECD says the turmoil will help to moderate inflation. But it remains unconvinced by arguments that the current levels of economic growth in the US and elsewhere can be maintained without causing inflation to rise.

"It still remains unclear whether recent developments reflect fundamental changes in the economy as opposed to temporarily favourable factors, such as an appreciating dollar and falling import prices."

The report says that unless the Asian turmoil has a more damaging impact than expected on exports and equity markets, higher interest rates would be "prudent and desirable" in the US, the UK and Canada.

The most direct impact of the turmoil will be felt through lower OECD exports to south-east Asia and South Korea, it says. The effect of the devaluations of the currencies of Thailand, Indonesia, Malaysia and the Philippines will translate to an equivalent 6 per cent appreciation to the currencies of the OECD countries "where trade links [to south-east Asia] are strongest".

Overall, OECD exports to south-east Asia are expected to decline by $25bn a year, whils imports are expected to rise by $15bn a year – a 0.5 per cent contraction in OECD exports and a 0.3 per cent rise in its imports.

The impact on the trade performance of the US and the EU is likely to be mnch greater, because of competition from the weaker Japanese yen and Korean won.

Seoul hopes for early rescue funds amid fears of default

By John Burton in Seoul

The South Korean government, struggling to ease fears about possible debt default, this week faces the outcome of crucial negotiations between the US and the International Monetary Fund over its request for early release of bail-out funds.

Seoul is hoping the IMF or other donors involved in the $57bn bail-out will deliver funds ahead of schedule to restore investor confidence, which has been hit by market speculation that Seoul might be forced to declare a moratorium on its estimated $171bn overseas debt.

The US has already rejected the proposed early release of funds.

South Korea, which will hold presidential elections on Thursday, denies any danger of defaults on what it estimates as $16.3bn in short-term debt due by the month's end. It says foreign currency reserves of $10bn along with another $7.5bn expected from the IMF rescue later this month will be sufficient.

But its full exposure is unclear since most of the debt is in the private sector and some of it is off-shore, which is not included in Korea's official estimate of loans due this month. Banks and companies account for 90 per cent of the nearly $110bn in short-term debt due over the next year.

Although Korean officials are hoping that some of the short-term debt will be rolled over, the likelihood of that is questionable because December is when annual accounts are settled as banks call in loans to balance their books. Foreign companies in Korea might also repatriate profits, which would put further pressure on Korean reserves.

Seoul has sought to stress its commitment to implement the tough terms of the IMF package after the presidential election, with the three main candidates promising to uphold the IMF deal.

Dissatisfaction with IMF, Page 3

Russian television yesterday showed President Boris Yeltsin voting in Moscow's city council elections at the sanitorium where he is recuperating from a respiratory infection Just a cold, Page 2 Picture AP

Pressure mounts on EU to postpone ban on animal parts

By Michael Smith in Brussels and Maggie Urry in London

European Union nations will today come under pressure to delay a controversial prohibition on the use of animal parts following a US decision last week to ban European beef and lamb.

The European Commission is seeking a three-month postponement to April 1 on the proposed EU-wide ban of specified risk materials (SRM), including brains and spinal cords of cattle, sheep and goats.

But there are growing fears among Commission officials that the ban, part of the fight against BSE "mad cow" diseass, will never be implemented, in part because of opposition from Washington. The US argues the EU ban would have a calamitous effect on trade because animal parts are used in a wide range of products, including life-saving drugs, which are exported to the EU. Its lobbying has helped prompt the recommendation of delay.

Last week ths US ordered restrictions on imports of EU beef and lamb on food safety grounds. The US imports small amounts of EU beef and lamb but the restrictions were seen in Brussels as a warning of further retaliation if problems over the SRM ban and other farm trade issues could not be resolved.

Abandoning the ban would be a climbdown for the Commission, which decided on its implementation in July because of fears that SRM are at high risk of carrying BSE, linked to the fatal human Creutzfeldt-Jakob disease.

The UK would be infuriated if the SRM ban was ebandoned. It pushed hard for prohibition, arguing that it was implementing

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WTO pact to open up global financial markets

By Frances Williams and Guy de Jonquières in Geneva

A ground-breaking global pact reached at the weekend to open banking, insurance and securities markets to foreign competition would expand opportunities for companies in the multi-trillion dollar sector and hslp restore confidence in Asia's crisis-ridden financial markets, US officials said.

In a joint statement, Charlene Barshefsky, US trade representative, and Robert Rubin, US Treasury aecretary, said the pact would "open financial services markets to an unprecedented degree and provide lasting benefits to US industry, the US economy and the global economy". The US and European financial services industries have also welcomed the accord, which was clinched on Saturday morning at the World Trade Organisation's headquarters in Geneva.

The agreement will lower barriers to foreign suppliers of financial services in 70 countries and lock the market-opening commitments of 102 nations into binding WTO rules that are subject to dispute settlement procedures.

Lawrence Summers, US deputy treasury secretary, said in Washington he hoped the deal would "contribute to confidence almost

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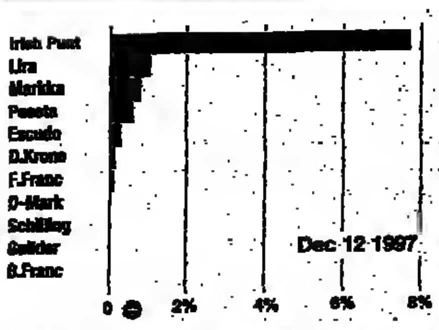
Happy ending, Page 15

EMS: Grid



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

The Irish punt still shows no sign of dropping towards its central parity rate within the European exchange rate mechanism. It is 7.72 per cent above its central rate against the grid's weakest currency, the Belgian franc. Currencies, Page 27

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Inside

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Germany wins the day at EU summit

By Lionel Barber in Luxembourg

There was one clear winner after this weekend's European Union summit in Luxembourg: Germany.

On eastern enlargement, the future euro club, and Turkey, Chancellor Kohl secured German objectives with minimum fuss – thanks partly to the British and French fighting themselves to a standstill on the opening day.

The Anglo-French spat over access to Euro-X – the informal club for future members of economic and monetary union – left *Mr Kohl in his natural role of power-broker*. In one intervention on Friday, he defined the compromise which saved faces all round.

The vaguely worded summit deal is a setback to French ambitions to sell the euro-club as a political counterweight to the future independent European central bank committed to price stability. It leaves Tony Blair, UK prime minister, with a reasonable hope that countries initially outside Emu will not be excluded from matters affecting their interests.

Above all, it safeguards the long-standing German interest in ensuring the Ecofin council of all 15 EU finance ministers remains the chief decision-making body on macro-economic policy.

"We did not want the euro-club to be built up into something that could cause us problems in Germany," said a German diplomat, "*and for this we are grateful* to Tony Blair." Indeed, EU leaders agreed to make Ecofin even more powerful, including a provision to restrict meetings to "minister plus one official" which will tighten secrecy, strengthen the institutional machinery in Brussels, and increase the power of finance ministers vis-à-vis the declining General Affairs council of foreign ministers.

On enlargement, EU leaders, as expected, issued invitations to the Czech Republic, Hungary, Poland, Estonia, Slovenia, and Estonia and Cyprus to open talks on membership in late March 1998. A dynamic process has begun which offers the prospect of stabilising Germany's eastern border and bringing in countries where German exports and investment are predominant.

On Turkey, EU leaders offered a package which confirms Turkish *eligibility to join the Union* but without putting the country in the same camp as the five eastern Europeans on a slower track for membership: Latvia, Lithuania, Bulgaria, Romania, and Slovakia. Thus the prospect of Turkey's membership and a big Turkish influx in addition to the 2.3m already in Germany is remote.

Mr Kohl said it was "erroneous" to suggest Germany was nervous about Turkish membership or that Germany had an anti-Islamist position. There were plenty of mosques in German cities, he said, adding: "Perhaps it would be interesting for a reporter...to do a comparative report seeing how many Christian churches there are in Turkish cities."

The Chancellor has more than 15 years experience of EU summits, while Mr Blair and his summit sparring partner, Lionel Jospin, the *Socialist French premier*, have barely 15 months between them. The gap showed, though the British and French combined effectively in the enlargement debate on Saturday.

Mr Jospin, moreover, had to keep one eye on President Chirac, his Gaullist rival, whom he eclipsed at last month's EU summit on employment. Mr Chirac made several interventions, including a plug for more education about Aids; but insiders reported it was not always clear whether he was training his fire on other countries or on his own prime minister.

EU leaders have taken a historic step in opening accession talks with the easterners and Cyprus; but tough bargaining lies ahead over the cost, reform of the Common Agricultural Policy, and of EU institutions.

Europe could just about claim to be one big happy family at the weekend, apart from the diplomatic friction with Turkey. But there are no expectations that the mood will last once hard bargaining begins between the rich 15 and their poorer cousins from the east. As one Brussels veteran said: "The good times are coming to an end."

Swiss banks inching to Holocaust settlement

By William Hall in Zurich and John Authers in New York

The big three Swiss banks, whose international reputation has been battered by allegations about their handling of the accounts of Holocaust victims, appear to be moving closer to an out-of-court settlement of the multi-billion dollar class actions they face in the US.

Stuart Eizenstat, the US under-secretary of state, yesterday held exploratory talks in Zurich with the chief executives of Credit Suisse, UBS and Swiss Bank Corporation and lawyers representing the three separate US class actions against the banks. It is believed to be the first meeting between the chief executives of the Swiss banks and their US legal opponents.

Mr Eizenstat said he hoped yesterday's talks would lead to further discussions. The US government was keen to see that "justice is done to victims of the Holocaust" and wanted to strengthen its "strong and positive bilateral relationship" with Switzerland. The Swiss government was not represented at the meeting.

Over the past year, the Swiss banks have undertaken a series of measures to head off criticism of their war-time behaviour. They have brought in Paul Volcker, former chairman of the US Federal Reserve, to oversee a massive search for unclaimed accounts of the Nazis' victims and have set up a SFr275m ($191m) fund to provide financial assistance to survivors.

They have argued that these moves, combined with other measures taken by the Swiss government, were sufficient to render the US class actions unnecessary. However, the big banks' decision to accept Mr Eizenstat's invitation to sit down and talk suggests that they are moving towards accepting a final financial settlement which goes well beyond settling the claims about dormant accounts. No figures have been mentioned, but Jewish organisations have speculated that the sums could be as much as $3bn.

Some observers believe that the Swiss banks will be more amenable to reaching an out-of-court settlement following the proposed merger of UBS and Swiss Bank Corporation, which will result in the early retirement of Robert Studer, UBS's hard-line chairman. However, Mathis Cabiallavetta, UBS chief executive who will succeed Mr Studer, has said he was not in favour of just putting some more money on the table and then facing further criticism in 10 years' time. He also wants the US, Swiss and Israeli governments to be part of any final accord.

The US class actions pose a serious threat to the banks, because the lawyers leading it have made clear that they are not satisfied with the Volcker process, and believe that a much bigger settlement will be needed. Their claims cover all looted assets, not just dormant accounts, and the group has hired economists to estimate the total increase in banks' assets during the war.

There has been no action on the law suit since a hearing in Brooklyn on August 1, when the Swiss banks applied for the case not to proceed on the basis that the Volcker process was already working towards compensation.

Just a cold, says Yeltsin

By Chrystia Freeland in Moscow

Watched by Lenin, a woman votes in Moscow yesterday AP

Boris Yeltsin yesterday walked, talked and voted in public as the Kremlin sought to quell persistent rumours that the Russian leader's illness was more serious than a Moscow winter cold.

"I caught a sore throat somewhere," Mr Yeltsin said, speaking in a gravelly voice but moving around freely after casting his ballot in Moscow municipal elections. The president admitted he was suffering from his cold, but insisted he was still firmly in charge.

"I'm a bit weak, on the whole I don't feel too good," he conceded. But Mr Yeltsin said his sniffles had not distracted him from affairs of state: "You can be calm about Russia. There is control over events, there is information."

The performance was Mr Yeltsin's first public appearance since Wednesday, when he retreated to a sanatorium suffering from what officials described as "an acute viral respiratory infection".

Mindful of July 1996, when what the Kremlin described as a cold was later revealed to have been a heart attack, Moscow has been sceptical of official assurances about Mr Yeltsin's health. Markets plunged last week and the local media speculated that he was suffering from ailments ranging from another heart attack to a brain "spasm".

But Mr Yeltsin said his illness was just a cold. "The doctors say it is a normal virus. I caught the virus in Moscow, which means that I am in touch with Muscovites," he joked.

Mr Yeltsin's relatively robust statements are likely to assuage many of last week's fears. The president spoke coherently and walked unassisted in a room where officials had set up a special balloting station for him in the sanatorium.

Czechs expect poll next year

By Robert Anderson in Prague

Vaclav Klaus, the outgoing Czech prime minister, was yesterday given a resounding vote of confidence by his Civic Democratic party (ODS) despite the collapse of his centre-right government two weeks ago over a political donations scandal.

His re-election as leader makes it almost certain there will be elections in the middle of next year and that there will be a caretaker administration until than. Mr Klaus, who has ruled out his personal participation in the next government, and the opposition social democrats both support bringing forward the election date.

Mr Klaus easily defeated Jan Ruml, a former dissident and interior minister. Mr Ruml had joined with the ODS's coalition partners in calling for the prime minister's resignation over allegations, which Mr Klaus denies, of privatisation kickbacks and a secret Swiss bank account.

Josef Lux, leader of the Christian Democrats, one of the ODS's former partners, has been charged by President Vaclav Havel with putting together a new government. Mr Havel said he would appoint a new premier this week though it was unclear whether it will be Mr Lux or whether the other coalition party leader, Jiri Skalicky of the Civic Democratic Alliance, or a non-party figure will fill the post.

Mr Lux insisted thet the caretaker administration would continue the government reform programme, in particular the sale of remaining state stakes in three banks. Advisers for the sales are due to be chosen by the end of this month but is less certain that the new government will have enough backing in parliament to issue tenders.

Further donbt has been cast on the banks' privatisation by delays in selling off the two other main banks, Investicni a Postovni (IPB), the third biggest, and Agrobanka. The state's 36 per cent stake in IPB is due to be sold to Nomura, the Japanese investment bank, and GE Capital, part of General Electric of the US, was the sole bidder for Agrobanka. However, both sales have been held up amid speculation that their financial positions are worse than first thought and that both buyers want to lower their bids.

Croatia hopes pact will bring it nearer to Cefta

By Jared Manasek in Zagreb

Croatia has moved closer to membership of the Central European Free Trade Association (Cefta) after signing a free trade agreement with Slovenia, which holds the rotating presidency of the five-nation free trade group until the end of the year.

The agreement, signed in Zagreb by Zlatko Matesa, the Croatian prime minister and Janez Drnovsek, his Slovene counterpart, comes into force on January 1. It will eliminate import duties on 80 per cent of industrial goods and is be followed by a three-year phased reduction of duties on more sensitive products, including medical products and cement. It also calls for lower tariffs on agricultural and food products.

Slovenia is Croatie'e third biggest trading partner after Germany and Italy, accounting for about 10 per cent of the country's total trade turnover. In the first 10 months of 1997, two-way trade was worth $1.08bn, 10 per cent less than last year.

During the same period, Slovenia'e trade with countries with which it has free trade agreements increased by 11 per cent in real terms.

The Croatian government hopee the new agreement will help it clinch similar agreements with the five other Cefta countries – the Czech Republic, Hungary, Poland, Romania and Slovakia.

Croatia attended the annual summit of Cefta countries in Slovenia last September as an observer. But to gain membership it must complete negotiations for World Trade Organisation membership, eecure a European Union Association Agreement and obtain the agreement of all Cefta countries, probably including Bulgaria which is expected to join early next year.

Croatia's negotiations with the EU, bowever, hinge on its continued co-operation with the international tribunal investigating war crimes in former Yugoslavia and the successful return of ethnic minority refugees displaced by fighting and ethnic cleansing.

NEWS DIGEST

New clouds over Dresdner Bank

Germany's Dresdner Bank, beset by management upheaval, was yesterday embroiled in further controversy after Hansgeorg Hofmann, one of its best-known executives, admitted tax evasion.

Germany's second biggest bank insisted Mr Hofmann would remain as head of Dresdner Kleinwort Benson, its investment banking business. The bank responded after German press reports that Mr Hofmann admitted he had not declared income from funds held in Switzerland.

Mr Hofmann stepped down from Dresdner's main management board last month, ostensibly to concentrate on building the investment banking operations from London. But Dresdner said yesterday that Mr Hofmann had told the bank about the tax case at the end of October and had asked to be released from main board duties.

The revelations are the latest to hit Dresdner after a long-running tax investigation at the bank. In September Wolfgang Röller resigned as head of the non-executive board over allegations of tax evasion, which he denied.

In October Hans-Günther Adenauer stepped down from the executive board over his tax affairs. The management upheaval has been exacerbated by the retirement, earlier than expected, of Jürgen Sarrazin as chairman of the bank next May, largely because of dissatisfaction with the bank's image.

Graham Bowley, Frankfurt

■ WORKERS' RIGHTS

New deal for part-timers

European Union countries are expected today to back proposed new laws guaranteeing part-time workers equal rights with their full-time colleagues.

Social affairs ministers are being asked to give legal force to a framework agreement reached by employers, unions and public enterprises last June.

The agreement is only the second to be negotiated by these groups under the protocol on social policy annexed to the EU's Maastricht Treaty.

It would apply to the UK after the Labour government's decision to end Britain's opt-out from the protocol.

The agreement provides part-time workers with improved rights in areas including holidays, pensions and dismissal, but does not cover pay.

Social affairs ministers are also expected to adopt a directive covering the burden of proof in sex discrimination cases. Plaintiffs would be required to provide evidence of probable or presumable discrimination, while defendants would have to prove there had been no infringement of the principle of equal treatment between men and women.

Michael Smith, Brussels

■ ARMS SALES

Chirac starts UAE drive

President Jacques Chirac today begins a sales drive in the United Arab Emirates to settle some vital business for France's defence industries. His main task is to tie down a contract to sell 27 Dassault Mirage 2000-9 fighters along with related hardware and software. It is also boped to sign up a deal to upgrade 33 Mirage 2000-SAD8, currently in service with the UAE air force.

Mr Chirac is being accompanied by all the key personalities in the defence and armaments business, including officials from Dassault, Lagardère, Aerospatiale and Thomson-CSF, on the two-day trip. The Dassault contract is of particular significance because the French hope this will be a precursor for a contract to supply the UAE with up to 80 next generation Rafale fighters.

- Without foreign sales of this advanced fighter, the project looks ever more costly and problematical as Britain, Germany, Italy and Spain go abead with the Eurofighter. The latter is also competing along with the US F-16 and the Russian Sukhoi-37 against the Rafale.

Only last week the governments of Britain, France and Germany issued a joint declaration calling for a retionalisation of their defence industries. But this highlighted one of the main contradictions – that the Eurofighter and Rafale are following expensive separate paths.

Robert Graham, Paris

■ SLOVAK BUDGET

Deficit cuts agreed

The Slovak parliament yesterday passed the 1998 budget after the Slovak National party, a government ally, backed down over its demand for higher defence spending.

The public deficit will be cut from an estimated Kč37bn ($1.07bn) this year to Kč20bn, around 3 per cent of projected GDP. The current budget deficit soared after corporate tax receipts fell far short of expectations and the central bank's tight monetary policy increased the cost of servicing government debt.

Earlier this year the government was forced to introduce an austerity package and scale back an ambitious motorway building programme to keep the deficit within bounds.

Next year's fiscal budget increases spending by around Kč2bn to Kč184.8bn and increases revenue by around Kč9bn to Kč179.8bn by raising excise taxes and moving goods such as telephone charges to the 23 per cent consumption tax band.

This week parliament is expected to pass proposals to cut the cost of servicing state debt by limiting the central bank's ability to pursue an independent tight monetary policy.

The government will be able to appoint half the members of the bank's board, parliament will control its budget and the bank will be forced to increase its financing of the budget deficit. Analysts have warned that if the bank's monetary policy is weakened, inflation will rise and the currency could come under pressure.

Robert Anderson, Prague

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Dissatisfaction with IMF dominates Asian summit

By James Kynge and Sheila McNulty in Kuala Lumpur

A sense of growing dissatisfaction with the International Monetary Fund's assistance programmes to Asian economies dominated the first day of an historic summit yesterday of 12 east Asian leaders.

Malaysia, the host, was the most critical but China was also less than enthusiastic. Thailand, the recipient of a $17.2bn IMF package, said that some unspecified adjustments would have to be made to allow for the continued deterioration of the Thai economy.

The IMF is leading rescue packages worth a total of more than $100bn for Thailand, Indonesia and South Korea. But the funds come with onerous conditions for financial liberalisation and economic reform that are stirring considerable debate.

"There is no improvement and things are getting more difficult. Is the IMF very helpful or is the IMF causing more problems?" asked Abdullah Badawi, Malaysia's foreign minister. "The situation is becoming worse. It is a fact."

Some officials have said that the IMF should show more flexibility in designing reform programmes and not simply impose conditions similar to those which helped Mexico out of its crisis in 1994. "Maybe you cannot give Panadol to everybody," Mr Badawi said, in a reference to pain relievers.

Malaysia has said it will resist seeking IMF assistance for as long as possible, but its financial crisis is deepening.

China, which is not a member of the IMF, did not disguise its reservations. "First and foremost, such assistance should not have any strings attached," said Sben Gnofang, spokesman for Jiang Zemin, the Chinese president.

Thailand refrained from criticising the IMF but said that the Fund should review some aspects of its package because the baht's steep depreciation since it was formulated has meant that the programme appears out of date.

Akapol Sorasuchart, Thai government spokesman, added that a "clear signal" of support for Asia's economies from the US, Japan and European powers was needed to build confidence.

Leaders are due to discuss the issue of IMF assistance at meetings today but it may prove difficult to reach a unified position, observers said. Japan believes that the painful measures prescribed by the IMF are crucial to restoring long-term economic health.

Officials said that jittery financial markets could react negatively if the leaders arrived at a position that was critical of the IMF.

The informal summit, called to celebrate the 30th anniversary of the Association of South East Asian Nations (Asean), is the first time the leaders of east Asia's top powers have met without the US.

Leaders from China, Japan and South Korea are meeting counterparts from the nine members of Asean – Malaysia, Singapore, Thailand, Burma, Laos, the Philippines, Vietnam, Brunei and Indonesia.

The US is anxious that the summit does evolve into a regular event at which east Asian economic and security policies are debated and set.

Captains compete to steer a sinking ship

South Korea's presidential election campaign could be likened to three men fighting on the bridga of the Titanic to determine who will be captain after the ship has already struck the iceberg.

Although South Korea is in danger of sinking under a sea of debts, it has not deterred any of the three candidates from wanting to gain control of the wheel.

Voters and foreign investors are panicking below decks as the future captains of state engage in mutual recriminations instead of offering proposals about how to save the situation.

Their only hope is that order will be restored after a new president is elected on Thursday. But there is little optimism about firm leadership. Until recently, the candidates to succeed Kim Young-sam studiously avoided even talking about the economic crisis although it was increasingly overshadowing the campaign.

South Korea's recent request for a record $57bn bail-out from the International Monetary Fund changed all that. But although debate has now focused on the debt crisis, there has been a shortage of prescriptions on how to address the problem.

This reflects the traditional emphasis of South Korean politics on personalities rather than policies. The only clear difference is that Lee Hoi-chang, the candidate of the ruling Grand National party, has supported the IMF agreement, while the main opposition leader, Kim Dae-jung of the National Congress for New Politics party, has criticised it.

None of the candidates, including the independent Rhee In-je of the New Party by the People, has offered a specific plan to implement the reforms demanded by the IMF to overhaul South Korea's *dirigiste* economy. They fear alienating voters because the reforms might result in job losses due to industrial restructuring.

Analysts had hoped that recent campaign reforms made in reaction to political corruption scandals would promote more substantial debate as the influence of vested interests weakened.

Political financing from the powerful conglomerates has been curbed along with limits on campaign spending. The candidates are now relying on televised debates rather than expensive outdoor rallies to attract voters.

Those debates, however, have often been dominated by finger-pointing over who is most to blame for the economic woes while raising doubts about the candidates' commitments to reform.

Mr Lee, who is slightly behind Mr Kim in the polls, is regarded as an establishment figure unprepared to challenge the nation's ruling élite despite being a maverick insider at times. Mr Kim is viewed as a prisoner of his core constituency, including trade unions, small businesses and farmers.

Although offering vague promisas of liberalisation, the candidates have also promoted populist economic policies that go against the spirit of the IMF reforms. All of them want to modify laws banning secret bank accounts in an effort to tap the $30bn underground economy for funds to ease a liquidity shortage.

Mr Lee has promised to create 3m new jobs despite the economic downturn, while Mr Kim has suggested that job cuts can be avoided if workers accept wage freezes and shorter hours.

There are few differences on other issues. All candidates back a more conciliatory policy towards communist North Korea by promoting investments to save its decrepit economy from collapse and avoid a sudden and costly reunification.

However, this has not stopped the government intelligence agency engaging in its old habit of portraying Mr Kim as a North Korean sympathiser and a threat to national security. It recently released a letter allegedly written by one of Mr Kim's former advisers who defected to Pyongyang, claiming that North Korea was hoping for his election.

John Burton

S Koreans face choice of judge, radical or spoiler


Lee Hoi-chang
Kim Dae-jung
Rhee In-je

■ With his stern and ascetic image, LEE HOI-CHANG, the government candidate in Thursday's South Korean presidential election, looks the part of the quintessential technocrat. A graduate of Seoul National University law school, breeding ground for the nation's élite, Mr Lee, 62, has been a respected jurist, including serving as a supreme court judge.

That is an unlikely background for a South Korean president. The seven previous occupants have been either professional politicians or military strongmen.

Whila critics dismiss him as a man of the establishment, Mr Lee has proved willing to challenge it at times. As a judge, he resisted the military government when it wanted civilians to be tried in army courts. He rebuked the ruling party for campaign violations when he was head of the election watchdog committee a decade ago.

He led an extensive campaign against corrupt officials as head of the government audit bureau when Kim Young-sam, the current president, came to power in 1993. During a brief stint as prime minister four years ago, Mr Lee criticised the president for being too autocratic and was sacked.

His uncompromising attitude was bred by his father, a public prosecutor, who was imprisoned in the 1960s after he jailed a corrupt governor. "That incident had a profound influence on him," said his brother.

Mr Lee's commanding lead in the polls evaporated after allegations his two sons dodged compulsory military service. But he has bounced back recently as a figure of stability in times of economic trouble.

■ KIM DAE-JUNG, the veteran centre-left opposition leader, is making his fourth bid for the presidency since 1971 in what appears his best chance of winning.

A populist fighter for democracy, Mr Kim, 74, would comfortably fit the label of a social democrat in Europe. He has been an advocate of trade union rights and a harsh critic of big business. But these views are considered radical in a country where anti-communism remains the guiding ideology because of South Korea's confrontation with Stalinist North Korea.

Mr Kim has been nearly killed twice by former military governments for his beliefs in tha 1970s and 1980s. His "red" image has limited his electoral appeal outside his political base in the underdeveloped south-west Cholla region, where he routinely gets 90 per cent of the vote.

Mr Kim has tried to soften his dissident reputation during the current campaign. He joined forces in an alliance of convenience with conservative stalwarts who once tried to oppress him under military rule. He is also proclaiming the virtues of market capitalism combined with an allegiance to social welfare in imitation of the British Labour government under Tony Blair.

Many voters still view Mr Kim as an integral part of the old political establishment due to his position as perennial leader of the opposition. Doubts also persist about Mr Kim's stamina in bearing the strains of office at a difficult time because of his age.

■ RHEE IN-JE has emerged as the spoiler in the election. Although his independent candidacy is given little chance of winning, he may take enough of the nation's majority centre-right vote from Lee Hoi-chang, the government candidate, to tilt the election in favour of Kim Dae-jung.

The appeal of Mr Rhee, a former provincial governor and labour minister, rests on two factors. He is young for a leading Korean politician at 49, which he exploits by urging a generational change in the nation's stodgy establishment. He likes to compare himself with Bill Clinton, the US presidant, and his wife is known as Korea's Hilary because of her strong views.

His other strength is that he has an uncannying physical resemblance to Park Chung-hee, the late military dictator, who created the modern South Korean industrial state in the 1960s and 1970s.

But it is Mr Rhee's close association with Kim Young-sam, who is being revlled as Korea's worst president, that has hit his election chances. For a brief period last month, he appeared to be challenging Kim Dae-jung as frontrunner until it was revealed the president was supporting Mr Rhee's campaign.

John Burton

NEWS: INTERNATIONAL

Pressures grow to ease curbs on arms sales to China

By Bruce Clark and Tony Walker in Washington

Pressures for an easing of restrictions on arms sales to China are set to increase following sharply enhanced Sino-US defence exchanges.

US and China initialled an agreement on Friday aimed at preventing naval clashes as part of a widening circle of military contacts agreed by President Bill Clinton and Jiang Zemin, his Chinese counterpart, at their October summit in Washington.

European states led by France and Italy have been pushing for a review of sanctions on arms transfers to China imposed after the crackdown in 1989 on student protesters in Beijing's central Tiananmen square.

John Frankenstein, an expert on the Chinese military, said pressures to get back into the China market were intensifying because of a slowdown in the European and US defence industries.

US and European companies supplying "dual use" technology for the aerospace industry are at the forefront of efforts to persuade governmants to review post-Tiananmen curbs.

Bnt Congress remains strongly opposed to a loosening of such restrictions because of China'a growing military power and its desire to increase its regional influence.

A staff member of the House of Representatives Committee on National Security described as "egregiously irresponsible" a recent decision to allow the sale by Westinghouse of navigation equipment which could be used on Chinese "cruise" missiles.

But Beijing and Washington appear determined to expand defence links to encourage greater predictability in Sino-US relations. The current visit to the US of Lt Gen Xiong Guangkai, the deputy chief of staff of the People's Liberation Army who has overall responsibility for military intelligence, is part of this process.

Gen Xiong held two days of discussions with Walter Slocombe, undersecretary for defence, on a wide range of global and Asia-Pacific issues, including problems on the Korean peninsula. He is also touring US defence academies and universities.

His party signed tha maritime military consultative agreement to avoid accidents between the US and China at sea. It will be signed early next year in Beijing by William Cohen, US defence secretary. Mr Cohen was to have gone to China in November, but deferred the trip because of the Iraq crisis.

The two sides also discussed prospects for co-operation in humanitarian relief and increased exchanges of military personnel and officers at defence universities in the US and China. These are part of efforts to build a "constructive strategic partnership" agreed by Mr Clinton and Mr Jiang.

However, US-China military relations have a long way to go before they reach the level of the mid-1980s, when both nations faced a challenge from the Soviet Union.

In those days, the US eold Chins lethal weapons, such as torpedoes and radar systems for aircraft, and allowed China to make US missilea under licence. The two nations also had an intelligence liaison programme.

Michael Pillsbury, a leading US analyst of the Chinese military, said of the Xiong visit: "This is a good first step, but we have not reached the level of the 1980s and we may never do so."

Mandela confirms 'ceremonial' role

By Roger Matthews in Johannesburg

Nelson Mandela confirmed yesterday his role as president of South Africa had become primarily ceremonial. "I am still the *de jure* president, but Thabo Mbeki [the deputy president] is *de facto* preaident. He is the man already running the country. I am now just a ceremonial preaident," Mr Mandela said in a live television interview.

Mr Mandela's statemenl came just 48 hours before he steps down as president of the African National Congress at the start of a four-day party conference in Mafikeng. Mr Mbeki is the only nominee for the party presidency and is due to become bead of state when Mr Mandela leaves puhlic office at the April 1999 general election, which the ANC is assured of winning.

Mr Mandela described Mr Mbeki as a very warm man of "exceptional qualities" wbo was especially sensitive to people's suffering, and a skilled diplomat. "Because he is already running the country the handover will be very smooth," promised Mr Mandela.

The ANC leadership may also have sncceeded in smoothing over most divisive issues within the party, or at least ensured they will not he aired pnhlicly this week. Last minute changes to nominating procedures may have ended the attempt by Winnie Madikizela-Mandela, the president's former wife, to win nomination as a candidate for deputy president. Having failed to be nominated by any of the party's provincial branches, Mrs Mandela's only hope rests in winning support from the floor of the conference. But a sudden rules change means thal instead of winning the support of just 10 per cent of the delegates, a candldate must now secure 25 per cent, a task probably beyond her.

Mr Mandela also seemed confident that arguments over the government's economic policy, which stresses the need for strict fiscal discipline, could be satisfactorily resolved. He admitted there were differences between the ANC and its two main allies, the Confederation of South African Trade Unions and the Communist party, which are demanding heavier government spending on social programmes. "We do not apologise for our policy, hut if we feel they have a strong point then we will try to accommodate them," he said.

The president eimilarly ruled out the risk of more fundamental splits emerging within the ANC. "The problems we face as a country require the ANC to remain, and for the people of this country to speak with one voice if we are to reverse the legacy of apartheid," he said. He believed a merger with the Inkatha Freedom party headed hy Chief Mangosuthu Butbelezi would be "very progressive" but denied having offered his former rival the post of deputy president.

'Union busting' furore in Australia

By Gwen Robinson in Sydney

An extraordinary tale of a covert operation to bust Australia's powerful waterfront unions with "industrial mercenaries" trained in the Middle East has emerged. The revelations follow a decision by the UAE at the weekend to suspend training of Australian stevedores in Dubai.

The Dubai government's decision followed threats on Saturday by the UK-hased International Transport Workers Federation (ITWF) – the umbrella hody for almost 450 of the world'e maritime unions – to impose a worldwide shipping ban on the Arab port if it did not suspend the training.

By threatening industrial action, the Federation supported the claim by the Maritime Uulon of Australia (MUA) that the Dubai training was part of Australian government attempts to hasten waterfront reform and break the union's hold over the atevedoring industry through "dirty tactics".

Dubai, with its twin ports of Rashid and the Jebel Ali free zone, is among the world's lop 12 for handling and trans-shipment of container cargo.

The UAE said it would suspend the training of Australians until an inquiry was conducted to "allow an adequate decision to be made" on the controversy.

Weekend disclosures that serving Australian military personnel were among the recruits being trained in Dubai raised questions about Australian government complicity in ths operation.

John Coombs, head of the MUA, and the opposition Labor party have alleged that private Australian shipping interests, together with ths government and the conntry'e conservative Farmers' Federation, were behind the training plan as a means to create a non-unionised, paramilitary-style, waterfront "strikeforce".

The Netional Farmers' Federation, which relies on shipping for its agricultural export husiness, has been an ardant advocate of waterfront reform.

The exact number of trainees, who began arriving in Dubai from Australie 10 days ago, is not known. But video footage and contact with recruits by Australian reporters in Dubai suggest that at least 200 are currently undergoing training at a special facility hired out to foreign companies by the Dubai Port Authority. Most are ex-aervicemen and retired police officers.

Two former SAS officers who run a private Australian eecurity company, Fynwest, confirmed they had been hired to train the stevedores and had recruited them through advertisements in military newspapers. They would only say, however, that their client was an "Asia-Pacific" shipping company.

The opposition warned the introduction of industrial mercenaries in Australia would trigger "unprecedented violence".

The government's earlier denials of the allegations gave way yesterday to criticism of the ITWF for endorsing the Australian union's campaign. Richard Alston, acting minister for workplace relations, said the MUA's Mr Coomba "made Ned Kelly look like a choirboy", referring to Australia's most notorious bushranger.

Mr Alston also warned that the union's campaign had jeopardised A$1bn (US$670m) worth of trade with the Middle East.

Experts say impact of emission curbs on producers may take decades to emerge

Kyoto likely to bolster energy trends

Climate change

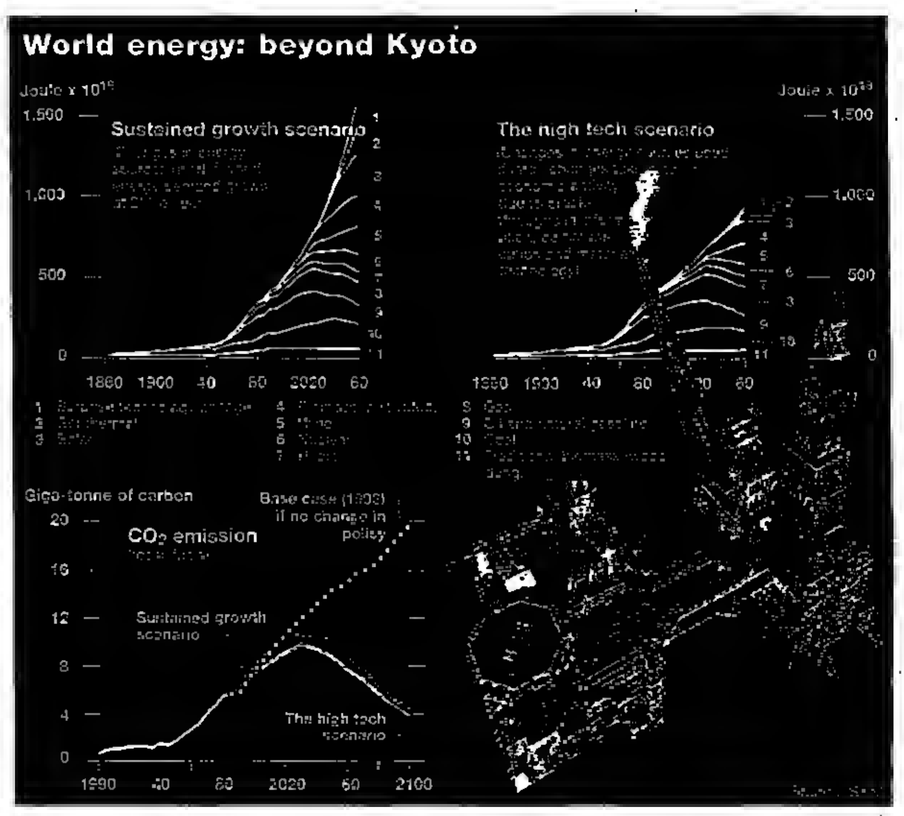
By Robert Corzine

The compromise agreement reached last week in Kyoto to cut global greenhouse gas emissions is likely to reinforce existing trends in the world's energy industries, rather than trigger a radical or early ehift in the type of energy produced and the way it is used, say industry experts.

The overall impact of Kyoto on the world's energy producers will probably take years or even decades to emerge fully. Much will depend on whether it turns out to be merely the first in a series of legally mandated cuts in greenhouse gas emissions. Another big uncertainty is the specific policies thal emerge from individual national governments, especially in low energy cost countries such as the US.

Some expect a general rise in energy prices in coming years as governments resort to higher taxes to cut fossil fuel demand. Robert Mabro, director of the Oxford Institute for Energy Sludies, helieves oil, and especially petrol, may bear the initial brunt of any such sction.

"Oil is always easier to tax than coal," he says, especially in countries where miners continue to exert political clout.



Governments may also find it difficult to add more taxes to natural gas, given that higher gas prices have a disproportionate impact oo vulnerable groups such as the elderly and the poor.

"But industry will scream if you put the additional tax on diesel or fuel oil," says Mr Mabro. "So they will put it on the car."

But tougher petrol duties in countries with alresdy high tax rates do little to curb demand unless they are set at prohibitively high levels. Such taxes can, bowever, have an impact in countries where fuel is not beavily taxed. Big oil producers such as Saudi Arabia have always feared the imposition of higher gasoline taxes in the US, whereas the steady increase of fuel taxes in western Europe is seen as more of an irritant than a serious threat.

Natural gas producers are likely to get a hig boost from Kyoto. "In the short term, climate policies favour a fuel shift along a chain from coal to oil to natural gas," according to a recent study by the International Energy Agency, the western world's energy watchdog hased in Paris. The displacemenl of old conventional coal-fired power plants by efficient gas-fuelled turbines is an established trend and one of the quickest and cheapest ways for countries to reduce emissions.

The use of renewable energy sources is expected to grow steadily, although as Chris Fay, head of Sbell UK, points ont, it can take 40 years or so to introduce a new energy form. A recent Shell study suggested the growth of renewables will depend on whether overall energy demand and prices remain relatively high.

It concluded that a fall in global energy demand due to technical breakthroughs in communication and material technologies could actually inhibit the growth of renewables, as the price of conventional energy such as oil and natural gas would fall.

Companies consider their options

By Leyla Boulton, Environment Correspondent

Business leaders must plan for the introduction in the medium term of some mandatory curbs on fossil fuel use.

This is the chief human source of carbon dioxide, the principal greenhouse gas linked to dangerous climate change.

As a first step, companies with energy-consuming production processes and products should identify opportunities for saving energy. Although this requires some investment, greater energy efficiency usually pays for itself and even saves money through lower energy hills. While many larger energy-intensive companies have already taken such measures, many other companies have not bothered.

A second step might be for companies to simply wait until governments clarify how such reductions will be counted in their favour.

Once such assurances are received, a third step will be to accelerate the development of both energy-efficient production methods and products.

Just before Kyoto, the UK chemical industry, for example, agreed with the government that by 2010 it would cut carbon dioxide emissions from energy consumption hy a total of 30 per cent from 1990 levels. While this will count as part of the sector's compliance with UK curbs arising from Kyoto, other companies need similar assurances that whatever they do will be recognised hy the government before they do it. Otherwise they are in danger of being saddled with additional obligations on top of the improvements they have already made voluntarily.

The exact form of greenhouse gas controls will vary from place to place. As the three main powers of the industrialised world, the EU, the US and Japan agreed similar emission reduction targets from 1990 levels of 8 per cent, 7 per cent and 6 per cent respectively between 2008 and 2012.

But while the US is bent on achieving most of its target through emissions trading, business in the EU should expect eome additional regulation, and possibly even taxation to curh energy waste.

Japan, already far more energy efficient than either the US or the EU, will have to build on a programme of voluntary agreements with individual economic sectors ranging from department stores to shipbuilding.

While greenhouse gas trading is unlikely to start for a few years, companies would be well advised to understand how emissions trading works in the US for sulphur dioxide, which causes acid rain. This allows companies to emit as much pollution as they have permits for.

Applied to climate change, companies which make savings of carbon dioxide could sell surplus permits to those which lag behind in efficient use of energy.

Understanding the concept would give companies more power to negotiate with governments on how they achieve the Kyoto targets. Trading would give business more freedom to decide the methods and timing for achieving overall carbon dioxide emission limits set by governments.

One important way of learning abont emissiona trading would be to get involved in a pilot programme being launched by the United Nations Conference on Trade and Development.

This already involves a dozen governments, including the US and the UK, and several companies including British Petroleum.

A fourth course of action for big companies is to consider bow they can reduce emissions of carbon dioxide and other greenhouse gases by investing ahroad.

A Clean Development Mechanism created at Kyoto allows companies to count towards their country's domestic targets any emission reductions they achieve in developing countries.

CONTRACTS & TENDERS

NEWS: INTERNATIONAL

Seagate Technology closure highlights the problems facing foreign investors

Spotlight on Ireland's vulnerability

Irish officials have long been aware of the economy's exposure to the volatila international electronlcs business. But the closure last week of Seagate Technology with the loss of 1,400 jobs has inevitably raised the question: just how many of Ireland's foreign companies are vulnerable?

The contribntlon of the electronlcs sector to Ireland's recent strong economic performance represents 10-15 per cent of gross national product. Ireland accounts for more than 30 per cent of all US electronics investment in the European Union in computer hardware, software, peripherals and telecommunications, with Intel, IBM, Hewlett-Packard, Gateway and Dell all having large plants.

Seagate, a disc drive manufacturer, points to overcapacity for its product. The market was also price-sensitive in a way the company did not anticipate when deciding to base a plant in Europe.

But Liam Cahill, of Intel, the US chip manufacturer which has its European base near Dublin, played down the likelihood there could be a more widespread fall-out for the industry. He said the personal computer market is growing at 18-20 per cent a year. The real pressures come not from a market slowdown but from "inter-sectoral competition".

With its Pentium chip accounting for 80 per cent of demand, Intel might not look vulnerable. But even Intel can sometimes misread the market – as happened with the D-Ram memory chip a few years ago when $100m had to be written off as prices fell. Part of Seagate's problem, said competitors, was its throwback to ths "screwdriver" era, where Ireland's attractions were largely a cheap and relatively skilled workforce, and a 10 per cent tax rate for corporate profits.

Such assembly plants are vulnerable to price substitution. The Irish government now encourages companies to upgrade technologies and introduce strategic functions such as research and development and marketing. "It's much harder for a company with deep roots to pull out," said Kieran McGowan, chief executive of the Industrial Development Agency, which approves foreign investments. But he admitted at any one time the IDA would be monitoring 15 of the 150 electronics companies.

The well publicised problems at Apple, the US computer company, mean the future of the plant at Cork is "a cause of constant concern". He said "two or three" other unnamed investors are currently facing difficulties.

The IDA policy has been hugely successful, luring investors with a low tax rate rather than generous grants – an important consideration for new companies seeking to maximise earnings growth to attract new shareholders. Moreover, the risk for the Irish authorities is smaller than it would be in the UK or other EU states where direct subsidies are more generous. Seagate is being asked to repay the I£11m ($16m) provided in capital grants.

John Murray Brown

Euro-Mediterranean forum stalls

By Judy Dempsey in Jerusalem

The Euro-Mediterranean Partnership, established by the European Union in 1995 to promote economic, trade, political and oocial contacts with 12 countries in the Mediterranean region, is failing to make progress because of the stalled peace negotiations between Israel and the Palestinians.

As a result, EU officials said it was increasingly difficult to arrange EU-Mediterranean meetings in Arab countries because some of them did not want Israel to attend.

The meetings, held within the framework of the 1995 Barcelona Declaration, cover three areas: political and security, economic and financial, and social and cultural partnerships.

Together, they are supposed to promote confidence and security-building measures in a region plagued by instability, as well as economic co-operation, atill hampered by protectionism. The region's share in total of EU external trade is about 9 per cent for exports and 8 per cent for imports.

But in recent months, EU officials said the EU-Mediterranean Partnership – which includes the Maghreb countries, Egypt, Jordan, Syria, Turkey, Lebanon, Israel and the Palestinian Authority – had "taken a battering".

"We've always said dialogua should continue regardless of the political considerations and what is happening with the peace process," commented an official.

The first public opposition in Israel attending these conferences was in September, whan Tunisia hosted a business conference sponsored by the European Commission. The Israelis failed to get a response for visa requests.

In October, Morocco unexpectedly cancelled an EU-Mediterranean meeting of trads and industry ministers. An EU official was told the Moroccans did not want Israel to attend. "Rather than refuse the Israeli delegation visas, they simply cancelled the meeting," the official said.

Last mooth, at the third Euro-Mediterranean summit of economic and social commitieea in Casablanca, Morocco, the Israelis did not receive visas and the Palestinians walked out because their flag was not represented.

"We were very annoyed with the Moroccans," an EU official said. "This was a non-governmental meeting. It was turned into a political one. We boycotted the opening session in protest."

Moroccan officials would not comment on why the Israelis were refused visas. But an article in Maroc Hebdo International, a weekly newspaper, said it was because Israel was delaying issuing visas for Moroccans wanting to visit Israel. "This is simply not true," said an Israeli diplomat.

EU officials admit they face a dilemma in coming months. If conferences are convened in Arab countries, the risk is Israel will not be invited, unless the EU is prepared to take a tougher stance in defending the original aims of the Barcelona Declaration. "I imagine more meetings will take place outside the region," an official said.

Gains for US, Europe despite Asian turmoil

Growth in the US and Europe is expected to remain strong in 1998 in spite of the negative effects of the Asian turmoil on the developed economies.

With combined growth of 2.9 per cent predicted for next year, the 29 members of the Organisation for Economic Development and Co-operation are expected to grow only slightly less quickly than the 3 per cent forecast for 1997.

Despite the domoge to OECD exports from the currency devaluations in south-east Asia, the Asian crisis could also have a benign impact on non-Asian economies, the OECD's twice-yearly economic outlook suggests.

The pressure to raise interest rates in the US could be moderated partly by the disinflationory impact of cheaper Asian imports.

Prime interest rates in the US are expected to rise by just 0.5 percentage points in the US in the first half of 1998. But it is still unclear how much the Asian crisis will counteract the inflationary potential of growing capacity constraints in the US and the UK. "The cost of mistakes in judgment may be potentially high," it warns.

Nevertheless, with the exception of Japan, where interest rates are already very low, the impact of the crisis obould "moderate" interest rate rises elsewhere in the OECD. This could halve the potential impact of the Asian crisis on OECD growth from almost 1 per cent off GDP growth to around 0.5 per cent, it says.

The effects of the crisis on world equity markets ere harder to assess. The report warns against exaggerating the effect on consumer demand of a drop in US and European equity markets.

Contrary to some predictions, a correction in US equity prices may not significantly damp consumer spending – and lead to a corresponding rise in the household savings rate.

The report also examines Europe's transition inwards economic and monetary union (Emu), and warns: "At this stage there remains a somewhat uncomfortabls degree of convergence in the cyclical cycles of countries that might participats in Emu," with "unwelcome adjustments" caused by the enforcement of a singls interest rate.

The report calls for further structural reforms, especially in the labour markets. But it paints an optimistic outlook for the prospective members of o single currency, due to start in 1999.

The OECD projects rising GDP growth and failing unemployment within the 11 likely member economies, excluding the UK, Denmark, Sweden and Greece. It forecasts growth of 2.9 per cent within the "euro area" in 1999, compared with 2.4 per cent in 1997.

The organisation olso sees the euro area's "output gap" – the difference between actuoi GDP and potential GDP output – narrowing from minus 1.7 per cent this year to 0.6 per cent in 1999.

The report also suggests that – assuming a 10 per cent appreciation in the euro ogeinst otber OECD members – GDP growth in the euro area will decline in the period leading up to 2002, with a positive growth effect for the US, Japan, and the rest of Europe.

Edward Luce and Richard Adams

Impact of SE Asian financial turbulence

Percentage deviation from baseline	Real GDP 1997	Real GDP 1998	Net exports (b) 1997	Net exports (b) 1998	Inflation (c) 1997	Inflation (c) 1998
United States	-0.3	-0.7	-0.1	-0.3	0.0	-0.3
Japan	-0.6	-1.4	-0.2	-0.5	0.0	-0.9
European Union	-0.3	-0.8	-0.2	-0.5	0.0	-0.3
Korea, Australia, New Zealand	-0.5	-1.4	-0.3	-0.7	-0.1	-0.5
Total OECD	-0.3	-0.9	-0.2	-0.5	0.0	-0.6

a) Nominal exchange rates and real interest rates in OECD assumed unchanged
b) Goods and services: contribution to the change in the level of GDP in percentage points
c) Change in the private consumption deflator

Source: OECD

US eyes open market aviation network in Asia-Pacific area

By Nancy Dunne in Washington

The US envisages an open market aviation network in the Asia-Pacific area, with each country linked in a series of bilateral pacts with the US and each other, according to a senior US transport department official.

The regional network might be negotiated as a whole or gradually evolve into a *de facto* grouping, said Mark Gerchick, deputy assistant secretary for aviation and international affairs. It would then provide momentum towards "open skies" around the world. However, Japan continues to oppose the process and has resisted American pressure for "open skies" to eliminate restrictions on routes, capacity, pricing and entry.

In talks which begin today, the Clinton administration hopes to complete a framework for a liberalisation of the current bilateral arrangement.

Tokyo and Washington had resolved several of the issues dividing them, according to one observer. The US has becked away from a demand to deregulate pricing, but continnes to press for "code sharing" partnerships between US and third country airlines and between two US airlines.

It is expected that American and Japan Airlines will link up in a code sharing deal and All Nippon Airlines will tie up with United Air Lines.

The US bas agreed "open skies" pacts wlth Singapore, Malaysia, Taiwan, New Zealand and Brunei. "Relatively few" issnes remained before completing an "open skies" deal with Korea, said Mr Gerchick. The Indonesian Air Carriers Association has already called for an open market with the US.

Meanwhile, countries in the region are beginning to make deals with each other. New Zealand has completed open skies deals with Malaysia and Brunei and Singapore, and there are discussions on the creation of a multilateral regional open skies pact.

Even China, which is concerned with developing its aviation infrastructure, was talking about "progressive opening and modernisation" of its aviation relationship with the US, Mr Gerchick said. "The Chinese international carriers are, by and large, eager to participate more fully in the global aviation market, with additional access to the US market," he said.

"Evolving business relationships and discussions between US and Chinese carriers, together with the sheer size of the potential trans-Pacific market tends to lessen Chinese concerns of US carrier dominance." Open skies pacts were supported by the broad array of business and economic interests which would benefit from lower prices competition would bring.

Irish premier hopes move will give momentum to stalled Northern Ireland negotiations

London and Dublin to host peace talks

By John Murray Brown in Dublin

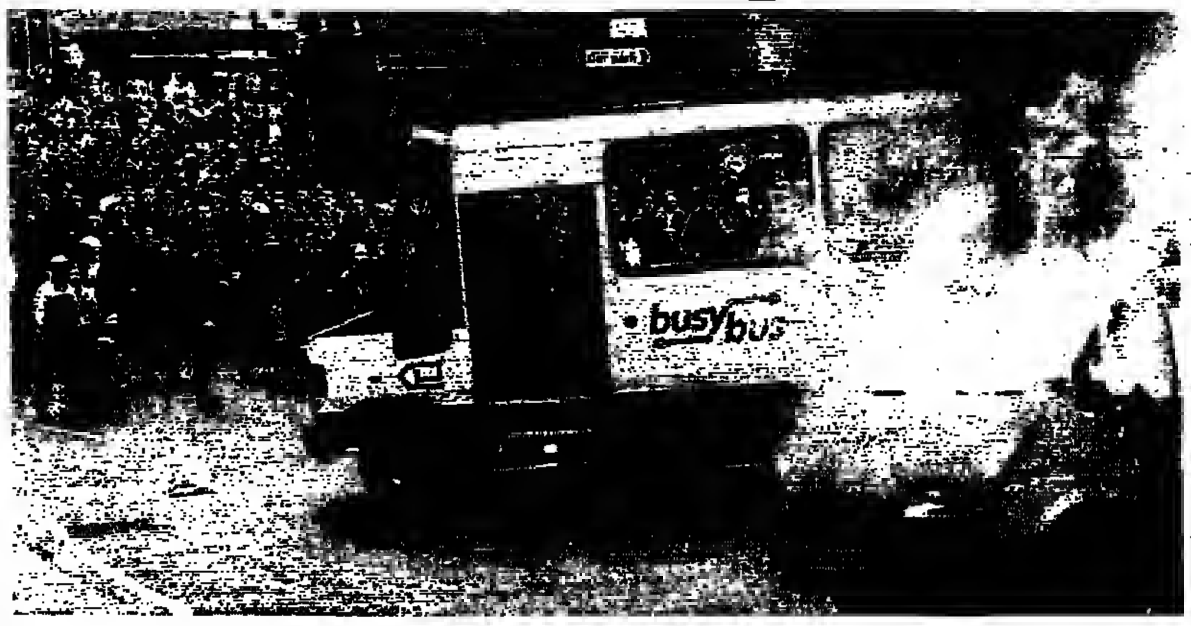
The Northern Ireland peace talks will be held in London and Dublin as well as Belfast in the new year, the Irish prime minister Bertie Ahern said yesterday.

In a move designed to inject momentum into the stalled peace process, Mr Ahern said the present location for the talks, at Stormont outside Belfast, "is not heaven" and that tha atmosphere was not conducive to compromise. Before leaving for the US, where he is to meet President Bill Clinton, he said: "It is important to harden up on bow far we can go – and where we can go."

The Northern Ireland Office confirmed that the talks would convene in London on January 26 and in Dublin on February 18.

The announcement comes as parties meet today to identify the main issues at the heart of the conflict.

Recent progress was largely overshadowed by weekeod vlolence in Londonderry in Northern Ireland. The police said nationalist protestors threw more than 1,000 petrol hombs in clashes that followed the breakdown of negotiations over the route of the Protestant Apprentice Boys annual march, which follows a path partly through nationalist areas of the city.



Reuters

Police said more than 1,000 petrol bombs were thrown by nationalist demonstrators during weekend riots in Londonderry

The riots came just three days after Tony Blair, the UK prime minister, received Gerry Adams, the Sinn Féin president, at Downing Street – the first such meeting between a republican leader and a UK prime minister in more than 70 years. On Thursday, parliament will further consider legislation which provides for independent arbitration over disputed parade routes.

The disturhances follow the first signs that the pro-British Ulster Unionist party may be dropping its reservations about contacts with Sinn Féin. Speaking on Saturday on RTE, the Irish national broadcaster, David Trimhle, leader of the UUP, said that, in the past, people had "forsaken terrorism and genuinely changed into democrats ... There are some who believe that Mr Adams is already engaged on that path. If that is the case, then well and good."

George Mitchell, the talks chairman, has asked tha eight parties to the talks, and the British and Irish governments, to agree today an agenda in a bid to speed up the negotiations.

However, Mr Trimble warned that any agreement would "not fall into our laps". He said there was a possibility tha UUP and the nationalist Social Democratic and Labour party could reach a deal. "But I still cannot see an outcome that everyone agrees to," he told RTE.

John Hume, the SDLP leader, yesterday rejected suggestions that he should concentrate on reaching a deal with the UUP. "We want to reach agreement with all parties. That is by far tha best way to resolve this problem. I would like to see direct dialogue between Mr Trimble's party and Sinn Féin. That's tha best way forward," he said.

Expansion of London office space approved

By Norma Cohen, Property Correspondent

The Corporatioo of London has granted planning consent for a further 13m sq ft of office space in the City of London financial district, according to Peter Bennett, deputy City surveyor.

Work has not yet begun on these new offices but, in July this year, abont 3.9m sq ft of space was already under construction.

Mr Bennett said the Corporation, the municipal authority for the City, no longer believed that designated conservation areas should be barred from redevelopment. "It's not that there is no development in these areas. It's just that the presumption is against it."

Under certain conditions the Corporation would approve development to buildings with historical importance, he added.

The Corporation is shortly to release a report on the needs of City tenants. It predicts that, in spite of recent mergers, expansion in the financial services industry will require at least 10m sq ft of new space over the next decade.

The study coincides with the biggest surge in City building since the start of the early-1990s recession, alongside plans to triple the size of the Canary Wharf development in London's Docklands and further expansion to the east and south of the City's Square Mile.

Mr Bennett said the Corporation had been willing to adopt a flexihle approach to planning consent as part of its drive to ensure that businesses stayed within the City. "We regularly go out and meet occupiers and the message we have been getting is that demand is growing," be said.

Also, be said, there was increasing demand for large buildings, which was fuelling the current boom.

In recent years, the Corporation has stepped up its role in property development, helping developers assemble smaller properties to make room for the so-called "ground scrapers" of more than 200,000 sq ft. These are most sought after by international banks.

Since the Big Bang deregulation of UK financial markets in 1986, more than a third of City buildings have been redeveloped. However, during the last boom in the late 1980s, developers failed to spot the demand for very large floorspace, the chief characteristic of the current cycle.

Mr Bennett said there was growing pressure from soma prospactive tenants for much taller buildings than are usual in London. "Forty-storey buildings will be more commonplace," he said.

The London Property Advisory Council, a group of the 32 London boroughs, is considering a "tall buildings" strategy. "We are asking them for the flexibility to build tall buildings," he said.

City planning restrictions prohibit tall buildings in areas where they will obstruct views of St Paul's Cathedral.

Germans at the cutting edge on quality

By Andrew Bolger, Employment Correspondent

The avarage quality of German production is superior to that of British-made goods – largely because of Germany's higher level of skills, says the National Institute of Economic and Social Research.

That is the conclusion of a two-year research project which compared the relative qualities of products including secateurs, hlouses and biscuits in both countries.

The institute says Britain produces little in the top-quality grades, in contrast to a strong German presence at that end of the market. Top-quality grades – defined on the basis of physical characteristics – account for about a third of total German production, but less than one-tenth of British production. The study says: "German-mada secateurs were of better ergonomic design – they felt lighter and were easier to operate, desplte being in reality heaviar and more robust; Garman-made blousaa were of more detailed construction – made of more components and, conseqnantly, with better drape; German hiscuits were typically an altogether more complex product – designed, manufactured and packaged for the more expensive end of tha market."

Among British manufacturers, the study says ever-longer runs of standard varieties continue to be seen as the road to success, in spite of competition from lower wage countries. It says proper adjustment for quality would raise estimates of the German productivity advantage in manufacturing to about 50 per cent above Britain, and lift estimates of real income per head to 40 per cent above the UK, compared with estimates of 15 per cent by the Organisation of Economic Co-operation and Development.

UK NEWS DIGEST

Debt fears over power suppliers

Inadequate provision for dealing with electricity suppliers which are in financial difficulty has emerged as the key problem obstructing retail electricity competition.

Tha industry is concerned that a defaulting supplier could amass millions of pounds in debts, and leave the sector with the problem of how to accommodate the energy needs of the defaulting company'a customers.

Big users of energy are concerned that their power could be cut off without warning, and want procedures introduced to enable them to renegotiate their supplies.

Tony Boorman, director of supply competition at Offer, the industry regulator, wrote to companies last week recognising "the strength of concern about these issues". But Mr Boorman said he was not happy with industry suggestions that the wholesale Electricity Pool extend its remit to cover retail contracts. Offer favours a pragmatic approach, dealing with a problem when it arises. But industry executives believe that legislation would be the most appropriate solution. *Simon Holberton*

■ JOBS SCHEME

Companies may feature in adverts

Companies signing up to the government's welfare-to-work scheme to help the young johless will be considered for inclusion in an £18m ($30m) national advertising campaign on television and radio. The three-year campaign, scheduled to begin in February, will provide "excellent publicity opportunities" for companies taking on those aged under 25 who have been unemployed more than six months, according to the Department for Education and Employment. The publicity campaign is being run by St Luke's advertising agency whose clients inclnde Midland Bank, Eurostar and Ikea. *Liam Halligan*

■ INWARD INVESTMENT

Regional infighting 'a deterrent'

A senior member of the Welsh Development Agency has warned that Britain risks deterring potential overseas investors if the row over development grants continues. The dispute arose over claims that Wales and Scotland have access to "unfair" levels of funding to attract investment away from other parts of the UK.

James Turner, the agency's international managing director, said: "The biggest concern is that the UK as a whole is not doing itself any good by indulging in this type of debate and it's being viewed with delight by our competitors across the rest of Europe." *Juliette Jowit*

■ PENSIONS

Government to unveil tax reforms

The government is to publish proposals to allow more flexible retirement by modernising tight tax rules on pension payments. The Inland Revenue, the tax collection authority, said a discussion paper would he issued early in the new year. It said the government recognised that working patterns were changing and that many people did not go straight from full-time work to total retirement. Any change in the tax treatment of pensions could have significant implications for employees and employers, who have used early retirement as a way to cut staff. *Andrew Bolger*

THIS WEEK

More humbug than holly

DATELINE

Rome: Christmas isn't over yet, but some people are already getting steamed up about the festivities for 1999, writes **James Blitz**

One of the surprises when you first come to live in Rome is the modest way in which people prepare for Christmas.

All over Europe this week, partygoers and shoppers will be jostling with each other in advance of the annual yuletide jamboree. But here in the Eternal City, the site of 500 churches and the headquarters of Roman Catholicism, there have been moments over the past few days when you could almost forget that Christmas is just around the corner.

Along the rain-sodden, cobbled shopping streets by the Spanish Steps, for instance, there are only a handful of signs – the odd clump of holly in a shop window, a sprinkling of fairy lights – that this is the season of present-giving.

On the Via Condotti, the main drag for shopping, there are perhaps a few more people than usual trailing cute-looking bags with the logos of Gucci, Valentino and Max Mara. But nowhere is there the glitz, the buzz, the sheer emotional strain of Christmas in London, Paris or New York.

Even the ritual of card-giving is more restrained than elsewhere. It may be that some of the older hands here are right, and the inefficient Italian postal system will pop the cards through the letterbox towards the end of February. But those that have arrived – like the one from Credito Italiano accompanied by a CD of Rossini's *Cantata in Honour of Pope Pius IX* – underscore how Italians see Christmas as a quietly religious event. And not remotely as important as Easter.

All is set to change, however. For in a little over two years, on Christmas Eve 1999, the Vatican will inaugurate what it calls the "Great Jubilee", 12 months of religious celebration for the millennium year. If the promise of advance publicity is anything to go by, it will be a religious festival of a scope unseen for generations.

A glance through the Jubilee Year agenda – jointly managed by the Vatican, the Italian government and the city of Rome – is unnerving. "Great ceremonies" are planned, kicking off with the historic opening of the Vatican's Holy Door on Christmas Night. A huge youth festival is to be staged in the summer of 2000, attracting 1m people. And pilgrims will be bussed into Rome in their thousands: more than 50,000 at St Peter's each day, and more than 300,000 at a dozen "special events". All told, between 20m and 30m will arrive in Rome by bus, train and plane in Holy Year.

For the Vatican, the event will be judged not by numbers but by the "spiritual preparation of those who want to live this event of grace". And the people in charge of logistics are clearly confident of success. "Remember that we are dealing here with pilgrims," says Francesco Banderin, a competent-sounding professor of urban planning who is helping co-ordinate events. "Pilgrims are patient, they stand in queues for a long time, even if very little is going on."

But this is Italy, whose centre and the south are triumphs of lousy infrastructure and poor public service. So it comes as no surprise that a pressure group of leading Italian intellectuals has just been formed, calling itself "the Lay Observers". Their message: that the Great Jubilee heralds "a disaster of biblical proportions".

Their first complaint is that the event is falling victim to an utter absence of adequate preparation. Roma has a population of 3m. The government has pledged to spend L3,500bn (£1.2bn) refurbishing the city ahead of the event. But, with just two years to go, none of the major infrastructure projects promised – a subway linking the Vatican to one of the main basilicas, an underground passage at the Castel Sant' Angelo near St Peter's, a monster car park under the Janiculum hill – has seen the light of day.

The group is also angered – and here one gets closer to their raison d'etre – by the exclusively religious nature of the event. "Why should the Italian state end up paying billions for something to the greater glory of the Catholic church?" says Giovanni Negri, a journalist who formed the pressure group.

"Only 12 per cent of Italians go to church. An even smaller proportion live in Rome." It is the same old story, he says. "Once again, we see the power and influence which the Vatican has always exercised over the Italian ruling class."

Will church and state manage to pull off this event?

All will become clear in the course of the next 12 months. But Mr Negri and his colleagues are already planning their "alternative jubilee".

As the Pope opens the Holy Door on the last Christmas night of the 20th century, they will gather in the Campo dei Fiori below the statue of Giordano Bruno, a heretic burned at the stake by Pope Clement VII to inaugurate the jubilee year of 1600. Their protest may not stop this one. But it might make for a livelier Christmas.

The Monday Profile: Bruce Wasserstein

Still hot after all these years

In *Barbarians at the Gate*, the 1980s saga of the RJR Nabisco takeover, Wasserstein Perella is described as "the red-hot merger boutique", and Bruce Wasserstein, its chairman, as "arguably Wall Street's most brilliant takeover tactician".

The hottest talent in Wall Street flocked to work with Wasserstein, sometimes called the father of M&A, and his partner Joe Perella, when they left First Boston to set up the firm in 1988. Today many of the top mergers and acquisitions jobs on Wall Street are filled by former Wasserstein protegés.

In the 1990s, however, the glory days of the firm affectionately known as "Wasserella" faded. Following the departure of Perella, now head of investment banking at Morgan Stanley, the firm's position in M&A league tables slipped as the mega-deals dried up. And when some earlier deals, like RJR, came unstuck, some critics argued that Wasserstein's apparently brilliant tactics had largely consisted of raising the bid.

To some onlookers, Wasserstein Perella appeared to be a victim of the consolidation of the investment banking industry. The increasing size and power of the bulge bracket M&A teams at Goldman Sachs, Morgan Stanley and Merrill Lynch appeared destined to squeeze out smaller competitors.

But the evidence of recent months suggests that consolidation may be having the opposite effect: financial institutions looking for strategic acquisitions seem to prefer taking advice from M&A specialists who are not employed by their arch-rivals. Smaller institutions like Wasserella and Lazard have been the beneficiaries.

So it is that 10 years after RJR, Wasserella has made something of a comeback, with a slew of big deals this year, particularly in the financial services sector, where it booked juicy deals like Dean Witter, Discover/Morgan Stanley and, last week, Swiss Bank Corporation/Union Bank of Switzerland. The Swiss deal, outside Wasserella's home base, is perhaps the strongest sign that Wasserstein, with only a small staff in London, and no Swiss office, can nevertheless compete against the big guns.

"We have long had good contacts with Warburg [now owned by SBC]," says Mr Wasserstein. "I suspect they liked the fact that we are not a full-service global competitor."

In his office in Deutsche Morgan Grenfell's Manhattan building, Wasserstein, with his famously unkempt – by investment banker standards – hair, appears content to be back in the game. This year's deals will result in record profits; it has also stirred takeover speculation about the firm itself. "The firm is not for sale," insists Wasserstein. "Instead of pulling capital out we keep reinvesting in the business to build up the value of the asset."

However, competitors suggest that if the price is right a deal could be done. "Wasserstein is like a cat with nine lives – he keeps bouncing back just when you thought he was dead and buried," says a competitor. "They must be giving some thought to what happens next."

Speculation about Wasserstein Perella's future was stirred last year when it emerged that Mr Wasserstein had been approached about taking over the running of Lazard Freres, though discussions later fell through.

Today the firm is still thought of as a Wall Street M&A boutique, but its business is broader and more international than that – Mr Wasserstein favours the tag "mini-major". With a staff of 450 worldwide – 100 outside the US – the firm has expanded into private equity and securities trading. And as the US M&A boom has moved overseas, Wasserstein Perella has shifted its focus, with a joint venture in Japan with Nomura Securities, for example.

But despite the revival in its fortunes, some competitors are sceptical about its future as anything more than a boutique. "They are still there," says one investment banker. "Are they as much of a force as they once were? Probably not."

Mr Wasserstein concedes the firm is competing with rivals 10 or 20 times its size and that it has to offer something extra to clients. "What we do is look for holes in the strategies of the large companies," he says. Often, the question is "whether you are willing to put more effort into an individual client".

He believes there are three strategies for investment banks to pursue: to be dominant and global, like Merrill Lynch and Morgan Stanley; to be regional, with a defensible perimeter, like Hong Kong Shanghai Bank; or to focus on a core business.

Mr Wasserella goes for the last option. "Not everyone will want us. Traditionally we have tried to pitch ourselves at sophisticated clients" – which usually means multinationals.

He says the firm manages to attract people from other investment banks because they like doing deals rather than being sucked into management politics. "People like being treated as adults," he says. Wasserstein Perella bankers are "usually successful but didn't like the politics where they are" and prefer a firm where "you don't need a committee to approve the decoration for the stairwell".

Tracy Corrigan
William Lewis

FT GUIDE TO:

AVIAN FLU

Two people in Hong Kong have died of a new strain of influenza and several more have become ill with it. That seems to have triggered a worldwide health scare. Why are people so worried?
Because the new virus, officially known as influenza A H5N1, seems to have infected its victims directly from chickens. Although flu is notorious for the speed with which it evolves into new strains to outwit the human immune system, we normally have partial defences against it. But H5N1 is so different from any flu strain that people have encountered before that the immune system is virtually powerless.

How dangerous is the new strain?
It's certainly lethal for birds; many thousands of chickens have died from H5N1 infection in Hong Kong and southern China this year. Too few people have been infected to draw clear clinical conclusions, but the record of the four proven cases is not encouraging. A three-year-old boy and a 54-year-old man died, and a 13-year-old girl is seriously ill in hospital; a two-year-old boy made a complete recovery. At least three more suspected cases are awaiting scientific confirmation. In children, the virus causes Reye's syndrome, a swelling of the brain that is often fatal.

Are we all doomed then?
Not necessarily. There are several other bird and animal viruses that cause terrible illness when they infect people, but they have not started human epidemics as they are hard to catch. With luck, H5N1 will fall into that category. A really dreadful disease requires a germ that is both virulent and easily transmitted between people, like smallpox before vaccination eradicated it. The important question – now being investigated urgently by scientists in Hong Kong and China, with help from medical authorities in the US, UK and elsewhere – is whether the victims caught H5N1 directly from chickens or whether the virus is being transmitted between people. In the former case, people in Asia would be well advised to avoid close contact with birds and their droppings but the world can relax; in the latter, a terrible pandemic (global epidemic) is possible.

How long before we know whether people are catching avian flu from one another?
The scientific team had hoped to reach a conclusion by now, on the basis of small genetic variations between samples of virus from the four patients and from infected chickens, but the investigations are taking longer than expected. A provisional answer should be available before the new year.

Are there any precedents for a human flu pandemic starting like this?
Yes, at least three pandemics this century are believed to have started in China with strains like H5N1 leaping from birds or animals into humans. (China has long been a potent breeding ground for new diseases as people there have traditionally lived in close proximity to poultry and farm animals.) The worst was the 1918-19 pandemic, misnamed Spanish flu, which killed an estimated 25m people worldwide, including millions of children and adults. "Asian flu" killed 1m in 1956 and "Hong Kong flu" 750,000 in 1968 – but a higher proportion of victims then were elderly or infirm.

Eek! Is there anything we can do about it?
Don't panic. Thirty years of medical research have left us much better prepared than last time. For a start, the vaccine industry is geared up to develop a new flu jab, which would either protect against H5N1 or ensure that people developed only a mild form of the disease; this could probably go into production within six months if there were a global emergency. For people who cannot be vaccinated in time, an established antiviral drug, amantadine, will have some activity against the new strain, though it has side effects and is far from perfect. Superior medicines such as Glaxo Wellcome's zaminivir are undergoing clinical trials and could be rushed on to the market if necessary. They are designed to attack all flu strains by targeting an enzyme, called neuraminidase, that is essential for the virus to spread from one human cell to the next.

So how high does avian flu come on the Cookson scale of health scares?
It is really much too soon to assess but potentially it comes toward the top. Several specialists in emerging diseases have argued recently that, for all the recent publicity about exotic tropical infections and unknown viruses emerging from the African jungle, an avian flu strain from China is the most likely to cause the world's next disastrous pandemic. Certainly H5N1 deserves more attention than some of the other scares I've written about over the years, such as the UK's "flesh-eating superbug" in 1994 or salmonella in eggs in the late 1980s. As usual, though, with a new global disease, the greatest threat is to poor people in developing countries who are not defended either by modern medicine or by decent living conditions.

Until we know more, should people play safe and stay away from Hong Kong?
No, at this early stage of what may or may not become a dangerous epidemic, the risk to tourists and business travellers is small. You are more likely to crash en route or to die from food poisoning in a Chinese restaurant. But it would be sensible not to get too close to chickens, ducks or geese, which are popular children's pets in Hong Kong and which often feature on market stalls. Financially, this might be a good time to visit, as the flu scare has put more pressure on Hong Kong's tourist industry – already suffering from a post-imperial slump – to cut prices.

Clive Cookson

Peter Norman · Economics Notebook

Euro joins the social whirl

Business is preparing for the single currency, but welfare has barely started

One of the political advances of 1997 has been the growing realisation in continental Europe that the euro will greatly toughen competition.

But there are still big gaps in the awareness of policymakers about the likely pressure for change that will flow from the increased transparency that the planned single currency will bring to all aspects of economic and social life.

Industry and commerce have got the message. Mergers, divestitures and other manifestations of corporate restructuring in readiness for the euro have dominated business news on the continent this year. But this frenetic jockeying for position in the private sector has prompted little reaction among governments.

So far, there has been little thought given to the impact of the euro on social policy. Yet the introduction of a single currency is bound to have a profound impact on the conditions in which governments support the weak, the sick and the elderly and on state systems which in many cases are under serious strain after having ballooned in size and ambition over the past 25 years.

True, the euro's impact on social policy is creeping up the agenda. But if two recent conferences in Bonn are any guide, it is the private sector that is making the running on the issue.

The scale of the challenge was summed up by Klaus-Dirk Henke, a professor of finance and health economics at the technical university of Berlin. "A single currency will increase competitive pressures and so increase the importance of other factors such as tax systems and social security systems as determinants of competitiveness", he told an Anglo-German conference on welfare reform organised by the European Policy Forum, a cross-party London-based think tank, and the Frankfurter Institut, a pro-market research body.

What this might mean in practice had been outlined a few days earlier by Regine Matthijsen-Sebbel, deputy director for international industrial relations and social policy at Philips, the Netherlands-based multinational corporation, at the annual meeting of the BDA, the German employers' federation.

Mrs Matthijsen-Sebbel forecast that the euro would put pressure on governments to equalise the big differences between gross and net incomes in the EU. Her prediction implied substantial change in social security contributions paid by employers and employees, with pressure on high contribution countries to cut both the levies charged and the services provided.

The problem appears especially acute in Germany where the overall social budget has soared to about DM1,250bn (£425.1bn) and accounts for more than a third of gross domestic product. The state system, which covers health, pensions, unemployment and long-term residential care, is in crisis. Benefits are being cut while contributions, paid half by employers and half by employees, reached a record 42 per cent of gross wages this year.

Europe's social security overheads

Western Germany=100 (1996)

Source: BDA/Institut der Deutschen Wirtschaft

The accompanying illustration, based on BDA figures from 1996, shows how social security costs carried by employers in western Germany are higher than elsewhere in the EU. As a result, German labour costs last year averaged DM47 per hour and so were well above those of other EU states.

Although serious now, the problem of Germany's non-wage labour costs looks sure to grow. The conventional world of work, encapsulated in traditional employer-employee relationships, is in relative decline and becoming less capable of sustaining social security systems.

So what is to be done? Mercifully, there seems to be no great support for a harmonisation of social policies in Europe. Such a project would be near-impossible to implement because of the very great cultural, institutional and historical differences among the 15 EU member states. It would be incompatible with the principle of subsidiarity. Harmonisation would also create some alarmingly costly hostages to fortune in connection with the eastward enlargement of the EU.

On the other hand, continuing unchanged is hardly sustainable. A high-cost, high-benefit social security system as in Germany is unlikely to encourage investment in plant and full-time jobs when similarly qualified staff are readily available at lower cost in other parts of the euro area. In countries with high-cost, state-operated social security systems, it is easy to envisage a vicious circle of high and rising unemployment, lower social security contributions and benefit squeeze leading to social distress and disturbance.

The alternative is reform. At the BDA annual meeting, Dieter Hundt, the president of the employers' federation, called for a curtailing of state social security to a "basic" level and reliance on private insurance for anything beyond that.

To force the issue, he urged that the part of earnings on which social security contributions are levied should be frozen. Existing claims on the state system would be maintained but people wanting to increase their cover in line with growing wealth and inflation would have to take out additional private insurance. That would mark a step towards a partly funded system rather than one based entirely on pay-as-you-go.

Addressing the Anglo-German conference, Prof Henke also demanded a European "middle way" that would retain some state social security provision while encouraging private provision. Otherwise, he warned, the state could find itself overstretched and destabilised.

Social policies in the UK have been moving down this path for some time. The need for change in Germany was illustrated last week by the Bonn parliament's decision to raise value added tax to 16 per cent from 15 per cent from next April to prevent a jump in pension contributions to politically unacceptable 21 per cent of gross salaries.

That policy failure should be a signal for a review and reform of Europe's pay-as-you-go social security systems. For if politicians do not heed the message, the euro will be another factor forcing change.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 14.12.97 — Final Prices for Trading on 16.11.97

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	10.59	11.04	11.04	0.00
0100	11.99	34.26	34.36	1.61
0130	39.20	34.26	34.36	1.61
0200	39.20	34.26	34.36	1.61
0230	31.88	15.72	15.81	1.61
0300	31.88	15.72	15.81	1.61
0330	19.23	15.72	15.81	1.61
0400	19.23	11.01	11.01	0.00
0430	19.23	10.45	10.45	0.00
0500	16.29	10.43	10.43	0.00
0530	18.75	10.45	10.45	0.00
0600	16.29	10.45	10.45	0.00
0630	18.21	10.44	10.44	0.00
0700	18.15	10.45	10.45	0.00
0730	18.15	10.45	10.45	0.00
0800	18.15	10.45	10.45	0.00
0830	18.15	10.45	10.45	0.00
0900	18.15	10.46	10.46	0.00
0930	16.70	12.44	12.54	1.61
1000	16.70	16.95	17.04	1.61
1030	16.75	17.38	17.47	1.61
1100	17.72	17.38	17.47	1.61
1130	17.72	17.84	17.93	1.61
1200	33.38	17.84	17.93	1.61
1230	33.38	29.94	30.04	1.61
1300	33.36	29.94	30.04	1.61
1330	18.40	28.29	28.38	1.61
1400	18.40	17.84	17.93	1.61
1430	18.40	11.01	11.01	0.00
1500	18.40	10.50	10.50	0.00
1530	18.40	10.50	10.50	0.00
1600	18.40	10.50	10.50	0.00
1630	24.36	10.52	10.52	0.00
1700	24.51	23.29	23.39	1.61
1730	40.00	25.98	26.08	1.61
1800	40.00	29.94	30.04	1.61
1830	29.99	29.94	30.04	1.61
1900	29.99	28.29	28.38	1.61
1930	25.04	25.98	26.08	1.61
2000	24.11	22.84	22.93	1.61
2030	24.51	22.84	22.93	1.61
2100	24.51	22.84	22.93	1.61
2130	19.48	17.38	17.47	1.61
2200	20.79	17.34	17.43	1.61
2230	24.95	17.38	17.47	1.61
2300	24.95	16.45	16.55	1.61
2330	24.95	16.22	16.31	1.61
2400	11.01	16.22	16.31	1.61

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.50/MWh becomes 1.650p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of optimising the costs arising from the operation of the system. Charges are calculated by NGC and are based on payments made by NGC into the pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8.30am and 5.15pm Monday to Friday.
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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 15.12.97 — Final Prices for Trading on 17.11.97

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	16.75	16.22	16.43	1.13
0100	16.75	23.00	23.21	1.13
0130	16.75	23.00	23.21	1.13
0200	16.75	17.90	18.11	1.13
0230	17.71	16.22	16.43	1.13
0300	17.71	17.90	18.11	1.13
0330	17.71	17.90	18.11	1.13
0400	17.71	12.70	12.91	1.13
0430	17.71	12.70	12.91	1.13
0500	17.71	11.01	11.01	0.00
0530	21.90	10.43	10.43	0.00
0600	30.86	10.43	10.43	0.00
0630	30.86	10.44	10.44	0.00
0700	30.90	10.47	10.47	0.00
0730	36.85	23.50	23.71	1.13
0800	38.24	27.56	27.78	1.13
0830	40.30	28.99	29.20	1.13
0900	42.29	32.06	32.27	1.13
0930	47.22	32.61	33.12	1.13
1000	47.84	32.91	33.12	1.13
1030	48.05	32.91	33.12	1.13
1100	48.09	32.91	33.12	1.13
1130	51.72	32.91	33.12	1.13
1200	52.14	57.35	57.56	1.13
1230	51.68	57.35	57.56	1.13
1300	50.88	57.35	57.56	1.13
1330	44.38	32.91	33.12	1.13
1400	46.78	32.91	33.12	1.13
1430	46.82	32.91	33.12	1.13
1500	46.94	32.91	33.12	1.13
1530	45.54	32.91	33.12	1.13
1600	50.31	32.92	33.13	1.13
1630	167.55	50.92	51.44	1.13
1700	291.53	49.43	50.84	1.13
1730	308.83	66.15	67.71	1.13
1800	238.99	85.49	86.91	1.13
1830	125.16	51.62	52.17	1.13
1900	81.58	48.37	48.66	1.13
1930	63.12	43.29	43.62	1.13
2000	49.12	31.09	31.30	1.13
2030	40.00	32.06	32.27	1.13
2100	38.13	28.99	29.20	1.13
2130	38.01	28.99	29.20	1.13
2200	37.06	28.99	29.20	1.13
2230	36.36	23.00	23.21	1.13
2300	33.09	20.11	20.32	1.13
2330	30.90	19.75	19.95	1.13
2400	30.66	14.96	15.17	1.13

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.50/MWh becomes 1.650p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of optimising the costs arising from the operation of the system. Charges are calculated by NGC and are based on payments made by NGC into the pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8.30am and 5.15pm Monday to Friday.
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MANAGEMENT

Lumbering giants

Small companies are overtaking large US corporations, says **Victoria Griffith**

The US has just announced its lowest unemployment rate in 24 years. The news seemed at odds with announcements of massive lay-offs over the last few months. Hasbro, Levi-Strauss, Kodak, International Paper, Kimberly-Clark and Raytheon are all planning staff cuts.

Where are the new jobs? At small businesses, is the short answer. According to the research firm Cognetics, 85 per cent of the new jobs formed in the US from 1991 to 1996 were created by the smallest companies. Yet these numbers tell just part of the story. The rise in status of small organisations is a challenge, not just to corporate mass, but to the way large, traditional companies are run.

There is a growing sense that many big companies do not have what it takes to compete in the new environment: flexibility, rapid response, openness to innovation and the ability to attract the best people.

Even managers at the upper echelons of blue-chip companies are starting to lose faith in their groups' ability to grow. In October, David Dorman caused a stir when he resigned from his lofty position as number two at the telecommunications group SBC, with $26bn (£15.7bn) in revenues, to head PointCast, a fledgling internet news service with just $50m in investment capital.

"Big corporations move too slowly," says Mr Dorman. "There are too many rules about how to do things. Regional telephone companies should have been the first to get into the internet. Instead, they were the last."

Mr Dorman says he was inspired by another high-profile defection: Jim Barksdale's resignation from the north-eastern telecommunications group Nynex in 1995 to take charge of the then start-up Netscape.

Entrepreneurs doubt the willingness of large groups to listen to ideas. Nigel Morris, founder of the financial company CapitalOne, says he tried to sell his ideas for marketing credit cards to New York's biggest banks in the late 1980s, but to no avail.

"Big companies are interested in maintaining the status quo," he says. "They have a lot to lose, so their instinct is not to take any risks at all." Morris' company is now one of the largest US credit card issuers.

Blue-chip companies no longer have the hold they once did on recruiting managers from elite business schools. Student interest in entrepreneurship courses has been soaring at Harvard, Dartmouth, Wharton and other MBA schools. Even those who start out at large companies will probably not stay. A study of Harvard business school alumni revealed that 20 years after graduation, most had defected to small, entrepreneurial concerns or were in service industries such as consulting and banking. Research by New York-based Catalyst this year showed that women managers tend to leave large companies, not for other blue-chip jobs, but to start their own businesses.

Established concerns have long held advantages over small businesses. With more money and clout, they could attract the best talent and pay for the most sophisticated marketing campaigns. They took advantage of economies of scale to yield superior profit margins.

This may all be changing. "Barriers to entry have collapsed, and corporate advantages can erode overnight," says Richard D'Aveni, professor at the Amos Tuck business school at Dartmouth. Technology improvements, globalisation and the speed at which information is disseminated are colluding to rob established groups of their edge.

Market share, which once shifted very slowly, now changes with alarming speed. Levi-Strauss, which announced a lay-off plan last month, has seen its share of the US jeans market drop to 19 per cent this year from 31 per cent at the beginning of the decade. Part of that business has gone to the tiny Los Angeles-based jeans group JNCO, credited with popularising a new teen fashion craze, wide jeans.

The trend can be seen across many sectors. Microbreweries have stolen customers from long-established beer groups. The richest man in America, Bill Gates, controls a company few had heard of a decade ago – Microsoft. Long-term heavyweight International Business Machines battles Microsoft for pieces of the computer software and internet market.

Building strong brands no longer depends on expensive advertising campaigns. The cyberspace bookseller Amazon and the coffee chain Starbucks, for example, have created a strong market presence through word of mouth, in the case of Amazon via the internet.

Improvements in transport have also made a difference. Samuel Adams beer has evolved from a small Boston brand to a nationwide phenomenon in the US, although the company only recently launched a large television campaign. "Tourists see the beer and ask for it back home," says Jim Koch, who heads the group.

Even the economies of scale that once favoured larger companies are no longer as compelling, since technology has dramatically pushed down overhead costs. Lincoln Rathnam left fund manager Scudder, Stevens & Clark last year to start his own venture capital firm. Ten years ago he could not have dreamed of starting his own business, he says. "I needed a secretary, access to Reuters wire service, an expensive communications system," he explains. "Now, with a word processor and the internet, I can basically do all that for a few hundred dollars a month."

With barriers to entry collapsing, large corporations must rely on strong management skills to maintain their status. Not surprisingly, many are looking to become more agile and entrepreneurial. Yet efforts are being undermined, say management theorists, by an inbred resistance to change. "Corporations talk about reshaping themselves," says Harvard professor Rosabeth Moss Kanter. "But mostly it's just talk."

MY SECRET WEAPON

Hans Snook on common sense

We attempt to make people less afraid of change

Hans Snook, aged 49, is group managing director of Orange, the UK mobile phone group. He was brought up in Germany, the UK and Canada, where he worked for 12 years in hotel and restaurant management. He entered the mobile telecommunications business through a chance opening in Hong Kong when he was backpacking in Asia in 1983.

The secret of success is common sense. Not education, not knowledge, not technology. You can pick up those things but if you don't have common sense you can't be successful.

Many, even most, people don't have common sense. I find that in this company and lots of other companies. I know a lot of bright people, who don't actually do anything.

When I was growing up, I was interested in things like psychology and medicine. I was trying to understand the world about me where you are always dependent on interactions with other people.

In business it is the same thing. You need to understand and look after your customers. There are an awful lot of companies that say this, but don't mean it. It is important to listen to customers and know who they are.

Before I got into telecoms I was running hotels and restaurants in Canada. I did virtually everything: waiter, assistant restaurant manager, night auditor, finance. If you like what you do, you always try to find out more about the things that relate to it.

People would say: "Isn't it a massive step from hotels to a technology business like telecoms?" I would say no. Both are about providing services 24 hours a day, 365 days a year.

People tell me that my career has been strange and different. I guess that is so, but it does not seem important to me. It is helpful having a wide range of experience. But I don't think that it makes me the person I am. It is more the other way round. Being the sort of person I am, I like to live in different countries and have a lot of experiences.

I thrive on change because I think the world is all about change. The more you try to be rigid, and stick to things, the more difficult it will be in the future. I don't agree with people who say we should relax more.

A lot of people feel uncomfortable about change, for various cultural and educational reasons. Arguably, the business climate in Britain is more forward looking than most of Europe. But that had to do partly with Thatcherism and breaking the traditional ways of doing things.

It is not easy to create the sort of culture where people want change. The trick is to understand the people who want change and get them to do what they are most comfortable with.

I think there is a difference between Europeans and North Americans and Asians in the desire to move forward. Somebody once said Europeans move backwards into the future while keeping hold on the past. I don't find that about Asians. They still maintain traditions but they don't need to see old buildings everywhere.

People accept new technologies much more quickly in Asia and North America. There is something about Europe that seems to want to cling to the past.

I find it hard to understand attitudes here. People don't like to see change in their environment, whether it be new buildings, bypasses or telecoms masts. They forget that a bypass improves traffic flow.

I once bought a flat in Macao. When I bought it, it was a waterfront property. But the waterways got filled in and where we once had vistas and panoramic views, three apartment blocks were built. I didn't feel it was something to rant and rave about. We always knew it was a possibility. But most people don't tend to look at this sort of thing this way.

Our tag line is: "The future's bright . . . the future's Orange." People often say that the reason they like Orange advertising is that we make the future look less bleak. People are afraid of the future. We try to make people less afraid of change.

Interview by Vanessa Houlder

Great expectations of 'Citizens' Brands'

Diane Summers on companies' role in society

Who should be responsible for improving inner-city economies, helping the long-term unemployed, or providing health facilities?

Companies may accept they have some role but most would probably say it is not their job to play a substantial part.

The public, however, sees things differently, says the Future Foundation, the London-based organisation formed by ex-Henley Centre researchers. As part of a study commissioned by British Telecommunications, the foundation asked more than 1,000 adults in the UK about responsibility for a range of social issues and got results that may surprise some companies.

For example, respondents said responsibility for the healthcare of workers should be shared almost equally between companies and government; when it comes to training, it was thought companies should bear a greater burden than government.

The winning companies of the future will be those that achieve "Citizens' Brand" status, says Michael Willmott, of the Future Foundation. "There is now a raft of evidence showing that companies operating in a responsible way are nearly always more successful in commercial terms. Our research confirms the positive impact this has on corporate reputation and consumer trust. We argue that focusing on this area will become as important to companies' future strategies as advertising is today."

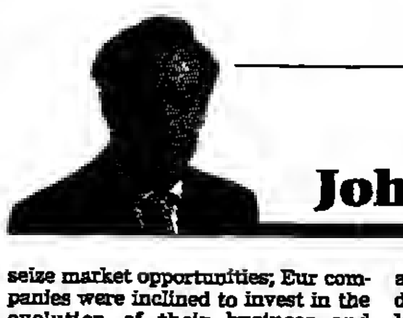
The Responsible Organisation. Free. Tel: 0171 242 0523

Who the public thinks should be responsible

	Companies (%)	Charities (%)	Government (%)
[illegible]	[illegible]	[illegible]	[illegible]
[illegible] jobs and assist long-term unemployed	37.8	3.6	58.6
[illegible]	[illegible]	[illegible]	[illegible]
Securing [illegible] working arrangements for parents	53.9	5.8	40.2
[illegible]	[illegible]	[illegible]	[illegible]
[illegible] local community groups	28.5	22.6	48.9
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	15.8	14.8	69.4
[illegible]	[illegible]	[illegible]	[illegible]
Reducing environmental pollution	41.9	6.9	51.2
[illegible]	[illegible]	[illegible]	[illegible]

Source: The Future [illegible]

A lost manuscript and the fantasy world of Amer and Eur



John Kay

Near my Oxford office is a pub called the Eagle and Child. In it, J. R. R. Tolkein, C. S. Lewis and others used to meet. Some of their writing took the form of fantastic allegories.

A virtue of imaginary worlds is that you can explore issues free of argument over whether the exposition exactly describes any particular history or society. I recently stumbled across a beer-stained manuscript written by a little-known business economist who was a member of their group.

His fantasy told of two islands, called Amer and Eur. In Amer, the prevalent culture was strongly individualistic. People co-operated with each other, but they tended to do so on the basis of carefully drafted contracts and well designed systems of rules. Amers revered the authority of their constitution, and turned quickly to their lawyers in the event of accident or dispute.

Eur was a much more consensual society. Few of the conventions that governed business behaviour were written down: co-operation tended to be instinctive. Risks and information were things to be shared, rather than managed strategically. Individual misfortunes were immediately matters of social concern.

Both Amer and Eur were successful economically, but in different ways.

Amer was a wonderfully innovative society, reflecting its emphasis on individual initiative and readiness to experiment. Eur was better at producing the high-quality manufactured goods that demanded commitment from the workforce and trust between companies.

Amer companies were managed rather aggressively for the benefit of their owners (or the people who managed them). Eur firms were more conservative, with an emphasis on long-term organic growth.

Amer companies were quick to seize market opportunities; Eur companies were inclined to invest in the evolution of their business and attached special importance to developing the skills of their workforce. Amer employers treated their workers rather instrumentally: Eur employers saw the relationship as a long-term commitment.

These different competitive strengths worked to the benefit of both: Eur benefited from Amer innovation, while Euran products were widely admired in Amer.

Amer economists arrived in Eur to re-educate the population in liberal individualism

There was some sort of dispute between Amer and Eur. (The details of this seemed to have been written and rewritten many times and I could not make them out.) But following that dispute, a group of Amer political philosophers and economists, with attendant lawyers and merchant bankers, arrived on Eur shores to re-educate the population in the Amer values of liberal individualism.

At first, this didn't make a great deal of difference to the way the Eur economy worked. What had previously been described as social insurance was now reformulated in terms of welfare rights. What had been generally understood conventions about business behaviour were now defined and prescribed as state regulations. People carried on behaving in the same ways, they just talked about them differently.

But over time, the new rhetoric started to have its influence. Welfare rights conveyed little in the way of corresponding obligations. That made them increasingly expensive, while at the same time the majority of the Eur population, which had no need of them, became resentful of this cost. The social solidarity that had provided the initial basis of the welfare system started to erode.

And an advantage of business regulation based on consent was that it constantly and often imperceptibly adapted to changing economic conditions. Formal, legalistic regulation did not. Moreover, it necessarily applied to all firms whether they could afford the costs of these obligations or not.

Whenever change was proposed, interest groups gathered to resist. Practices that had formerly been helpful in maturing the Eur economy increasingly became impediments to its progress.

All this eroded the self-confidence of Eur business and Eur politicians. They worried about the road ahead. The visiting gurus – who had by now trained many Eurans in their systems of thought – were in no doubt about the answer. The problem with Eur was that it was still not Amer enough. If only Eur would roll back its welfare systems and dismantle its regulations, Eur could be as prosperous as Amer.

But not all Eurans were convinced. Many of them, of course, were simply defending what they had been encouraged to think of as their entitlements: underworked employees of state industries, companies failing to meet the challenge of world markets.

Yet others were more thoughtful. They pointed out that incomes were as high in Eur as in Amer, which did not suggest that only the Amer model worked. They noted that many more Amers enjoyed life in Eur than the other way round. They argued that Eur was unlikely to be more successful at being Amer than Amer was itself.

They asked whether it was not possible that many of the old Eur ways were the best – for Eur, if not necessarily for Amer.

They shared with the Amer ideologues a desire to restructure the welfare system. But they wanted to replace it with a structure that gave back responsibility for social insurance to companies, communities and new public-private partnerships.

They also wanted to reduce state regulation in product and labour markets. But to do so on the basis that most of its objectives – in consumer and worker protection – would be adopted by companies themselves.

Some of those who sympathised with this perspective also believed that the traditional Eur values could not be sustained in a world in which Amers, and those who had acquired Amer's values, dominated the single capital market that had come to embrace both islands.

Perhaps they were right, perhaps wrong. The manuscript ends at this point.

The author is the Peter Moores Director of the Said Business School at Oxford University and a director of London Economics. This column appears fortnightly.

The publicity pioneer's fear of the damp squib

Alison Smith and **Christopher Brown-Humes** visit Midland 97

At 4pm last Wednesday, Tim Henman, the British tennis player, walked into the entertainment village at Midland 97, the 18-day event created by Midland Bank at Battersea power station. There was music playing, hut the exhibition hall area in Europe's largest temporary structure, where Henman was due to give coaching tips and sign antographs, was largely deserted. Low attendance on earlier days had led Midland to put back the opening time from 11am to 4pm. There was no qneue of people walting to enter.

Outside in the darkening afternoon a handful of teenagers holding bottles of mineral water hung about between the box office and the burger bar, waiting for the Morrissey concert. The previous day, the site had been completely closed as an injury had forced the main act at the evening concert to cancel.

That bleak snapshot seems a long way from the launch with fireworks on December 4 when Chris Smith, the culture secretary, was among the 5,000-plus audience for the London Philharmonic Orchestra's performance of *Adiemus*. "We're putting this on for the first time," says Keith Whitson, Midland chief executive. "We have to experiment a bit."

The contrast does not mean that the Midland event can be dismissed as a damp squih. But it does suggest that there are more complex issues than some of the exuberant prepublicity for the event had implied.

Midland's aim has been to differentiate itself from the run of UK high street banks sponsoring sporting events. In creating its own event, it has set itself apart not only from the financial mainstream, hut from the mainstream altogether. Event marketing is still rare and many of the other examples are associated with drinks companies, for whom the creation of a festival or concert is perhaps a more obvious marketing choice.

But Mr Whitsoo is clear that the arrival of new players – including sopermarkets Tesco and J. Sainsbury – into the UK personal financial services market means that the banks must sharpen the way they compete. "We are hreaking into slightly new ground," he says. "We don't necessarily want to be branded as another bank."

Belinda Furneaux-Harris, Midland head of promotions, says the bank's research confirmed a view expressed in a survey, that young people were unimpressed by a company that simply attached its name to an existing event.

"Our focus groups said that if you are seen to be merely a sponsor of an event you don't get much gratitude from consumers. They think that if you don't sponsor it, another organisation will."

That approach also has the advantage of removing Midland from the hidding war for a limited number of generally popular sporting events. The festival has been put together by KLP, a marketing agency that specialises in this work, for a lower price than many sponsorships would have involved.

For slightly more than £1m – about a quarter of the bank's annual sponsorship budget – Midland will have a television presence when Channel 4 shows the Concert of Hope on New Year's Day, has generated news coverage, and has put itself firmly in front of the 5,000 to 6,200 people attending each of the concerts, which inclnde performances by Boyzone, Lighthouse Family and the Prodigy.

More importantly, perhaps, it has also led to a variety of direct mailings offering customers priority access to different concerts. "It provides the bank with an excellent reason for dialogue with the consumer," says Paul Morrison of KLP.


Explosive impact: event marketing with pyrotechnics at the launch

Although the Battersea event is not aimed solely at the youth market, young people are an important target audience. However, other hanks have expressed dooht that providing entertainment is effective for financial organisations in this market.

"There coold be a dissonance between how we think they want us to behave and what they actually expect from us," says Ian Scoolar, head of hrand communication at NatWest UK.

"They don't expect us to sponsor the sort of music they would listen to; they are looking for something more adult, with the professional stature which they are aspiring to and that's at odds with our trying to reach down to them."

> Midland's aim has been to differentiate itself . . . Event marketing is still rare and many other examples are associated with drinks companies, for whom the creation of a festival or concert is perhaps a more obvious choice

A further douht about Midland's approach is that it seems to see event marketing as a straight alternative to sponsorship, while its real value may lie elsewhere.

For example, in talking ebout the recently announced Lloyds TSB international rughy sponsorship, Charles Mears, the bank's head of sponsorship, emphasises that the bank will benefit from its exposure in tbe television coverage of matches, even among those who are unaware of its plans for deeper involvement in the game.

But the more tangible advantage from owning an event such as Midland 97 may lie not in putting the bank's name in front of a larger audience but in being able to offer unexpected rewards – such as front-row seats for a sought-after concert – to existing customers.

Midland 97 is clearly pioneering. But being a snccessful pioneer means getting the reward from blazing the trail rather than dying heroically to leave others to benefit from your bravery.

Midland's sligbtly defensive emphasis on how it started from scratch in arranging the eveot suggests it has not convinced itself it bas yet achieved this success.

Romania washed by wave of competition

David Short on how a TV chief aims to create 'the best-known brand since Ceaușescu'

Tbe wave of increased competition in *terrestrial* television which has swept over former communist Europe in the past couple of years has reached one of its most eastern points – Romania.

A new private channel, Prima, will launch in the middle of this month and an existing station, Antena 1, will revamp its schedule on December 15. Both moves are designed to challenge the dominant private broadcaster, Pro TV, which celebrated its second hirthday at the start of this month.

Not to be outdone, Pro TV, described by its entrepreneor chief as "probahly the best-known Romanian hrand after Ceaușescn", intends to launch a sister station, Channel Two.

The increased activity comes just ahead of plans by the Romanian government to drop a tax on advertising from January, which could have the effect of doubling Romania's estimated $60m (£36m) television advertising market next year, according to Adrian Sarbu, Pro TV's general director and Romania's leading media entrepreneur. His Mediapro organisation includes magazines, newspapers, printing and newsagency services as well as Pro TV.

New national commercial stations have been a growing feature in eastern and central Europe since the launch of Nova TV in the Czech Republic in February 1994, backed by Central European Media Enterprises (CEM), a US company. Since then CME has expanded its TV interests to include Romania, where it is Pro TV's majority shareholder; Slovakia, Poland, Hungary, Ukraine and Slovenia.

However, since 1996 more broadcasters bave entered tbe market alongside pioneering CME, attracted by *double-digit annual* growth in TV advertising spending in the region. Europe's former communist market consists of 170m people and TV advertising revenue totals about $1bn and is growing all the time. In Hungary, for example, three western-hacked channels went on air in October.

In Romania, Pro TV's competitors face an nphill struggle. The station takes 60 per cent of available revenue and captures 50 per cent of the audience share. Its output is o mix of domestically produced news, aport, and studio-hased entertoinment, os well as Hollywood movies and popular US shows.

Home-produced drama is virtually non-existent because of the costs of producing it, hut there are plans for a home-grown soap. The station has imported production values from the US, sending news presenters to the Atlanta headquarters of CNN, the US cable news channel, to learn tricks of the trade.

The slickness and deliberate targetting of young Romanians has cost the station some older viewers. Winning them back will be the joh of Channel Two, which, says Mr Sarbu, will be aimed at "the over-45s and those with little secondary education".

Over at Prima, executives have Pro TV's viewers in their sights. The station is the creation of Romanian entreprencur Cristian Burci, who bought an existing station as a vehicle for the launch. Says Edward Cott, Prima's US director of business development: "We are competing with Pro TV for the same customer - the advertiser and the viewer."

Mr Sarhu is dismissive. "They are saying they'll take 20 per cent audience from us. Competition will exist. I don't see it as a threat," he says.

Instead, the threat could come from that familiar quarter in eastern Europe - the government, albeit in the relatively henign form of president Emil Constantinescu's odministration.

Despite having hriefly been media affairs minister in 1990, Mr Sarbu is mistrustful of politicians. "In this country, the politicians are so aggressive. They're so clever at finding ways of discouraging business just to prove they are clever. We don't have a licence giving us the right to be a monopoly. There is no guarantee that tomorrow politicians won't say you are ton strong."

'Opportunity index' knocks

How far does a lender need to offer value for money to an older couple aeeking a mortgage? Does it matter wbether e life assurance company selling pensions to single young professionals has friendly advisers?

As the UK personal financial services market gets more crowded and competitive, making precise judgments of this kind and responding quickly to changes in what consumers want is critical for financial services providers.

Now 10 financial companies are involved in work on a new software package which can analyse market information quickly enough to address several different options in the course of a single discussion.

Among the features of the "Value" software developed by Prospektus, a financial services marketing consultancy, is the "opportunity index", which gives a vivid representation of the attractiveness and accessibility of different types of consumer depending on the distribution channel and type of product concerned.

So far the software's greatest impact has been in fine-tuning marketing decisions rather than turning a strategy on its head.

At Bradford & Bingley building society, for example, the general thrust of the marketing strategy has been to focus on the organisation's commitment to remaining mntual, owned and to the independence of the financial advice it gives. But the software revealed that convenience was more important to consumers than the society had expected. That led directly to a pensions ad contrasting 14 steps for people scanning the pension market for themselves witb simply going into a B&B branch on the high street.

Scottish Widows, the life assurer, has used the software in developing its relatively new banking and mortgage lcnding operations. Charles Butcher, Widows market research manager, says the analysis reinforced the organisation's view that as o new entrant to thc mortgage market it would do better to direct its efforts not at first-timc huyers, hnt at other homeowners, who were more experienced and so more willing to deal with less traditional mortgage lenders.

More surprisingly, in work carried out before last month's government announcement abont the individual savings accounts to supersede Peps and Tessas, the software research suggested that the organisation should target younger consumers not with a Pep, as had been envisaged, but with a deposit account.

However sophisticated the ways of slicing and dicing consumer profiles, the value of the programme relies on the quality of the hasic information it uses. Caroline Gardiner of Prospektus says it plans to update most of the information – age, address and financial data – next year. The program can also be used with an organisation's own database to gain a more detailed picture of its customers.

Alison Smith

Tim Jackson · On the Web

Profiting from the cybergap

Building hridges between the "wired" world inhahited hy those wbo use e-mail and the world wide weh, and the "unwired" rest of the world, is going to he a short-term but highly profitable business opportunity over the next decade.

This column has already covered a number of services that facilitate communication hetween the internet and the telephone and fax system – including *fax-to-e-mail* gateways, services that turn voice mails into faxes and internet telephony in numerous flavours.

Until recently, however, the industry's fecund minds missed the most basic linkage of them all, a service allowing someone browsing a company's web site to click a button on a web page that results in an immediate free phone call from the company to them.

The service is now being offered by a small technology company called NetCall (www.netcallplc.com), based at Cambridge in the UK. Technically, it is straightforward. After clicking the button, you are presented with a simple dialogue box asking for your name and telephone number. Once this is filled in, a message is sent over the weh to NetCall's server, which instructs a telephone "node" to initiate a call to a number designated hy the web site owner.

When the call connects, *the person that answers is* invited to press "1" to talk to the customer who has asked to be called back, and the second balf of the call is then put in place. All this takes around 30 seconds.

Safeguards have been built in. Extensions are catered for by telling the first caller which one to ask for. If either party is not available, the system generates a message to whichever parties *have e-mail. A company that* misses an important sales prospect therefore gets a record of the lead.

Subscribers in the UK pay aroumd 11p a minute for the combined halves of the call, with higher rates applying where the person who wants to be called is abroad. Generating two phone calls over the public switched network may be more expensive than using the internet – especially since technology is already available thet could make the international portion of calls free – hut it has two hig advantages. The telephone system offers almost 100 per cent reliability; and the system is simple enough for any husiness, hig or small, to use.

It is not hard to see how NetCall can make money from its innovation – the *system* essentially amounts to a telepbony resale business in which the web-based front end offers the company the potential to resell very large numbers of call minutes and to make a few pennies on each.

The strategic issue facing the company, however, is wbether it can achieve sufficient visibility in the market to exclude competitors. Its idea; though ingenious, may *be impossible to patent* – and there are dozens of computer-telephony companies that could knock up an imitation with identical functionality.

Two factors argue in NetCall's favour. One is that it has already dreamed up a range of ancillary services based on its core system. For instance, it is marketing an icon that you can include in a message that will generate a phone call when a customer clicks on it. Something called AccountCall allows employees of companies to use the system to avoid high hotel call charges when they need to talk to the office from abroad. Another idea, SafetyNet, generates alarm calls if someone fails to call in by a specified time. The company also plans to adapt its technology to enable low-cost conference calling.

The company now seems on the verge of making a mistake. When I asked John Burnett, NetCall's managing director, bow he boped to penetrate the US market without a presence there, he was quick to reply that the company is setting up an office on the other side of the Atlantic.

But instead of siting its *American presence in Silicon* Valley, the location which would ensure proximity to the partners that can get its technology adopted most swiftly, NetCall seems more likely to open an office in Denver or New Jersey. Sncb locations may make sense in doing business with old-fashioned phone companies – but to get the company ahead on the Web, they are too far away from where the action is.

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BUSINESS EDUCATION

Grooming for succession

A smooth transition between chief executives takes planning, writes **Richard Donkin**

William Johnson, president and chief operating officer of H.J. Heinz, the US food company, was rewarded for his patience two weeks ago when he was told he would be succeeding Tony O'Reilly, the current chief executive, next April.

The announcement of a firm date when Mr O'Reilly will hand over the reins, while remaining as executive chairman until September 2000, sets the seal on an uneasy period of limbo for Mr Johnson, who was named successor two years ago.

The Heinz announcement was apparently a model of succession planning. The stock price moved strongly upwards as shareholders registered their approval.

But by no means all those nominated fnr the successinn in big companies eventually land the top joh. And even those who do may find that the period between hearing they hsve heen chosen to replace a strong company leader and the day they actually take charge can be one of the most uncomfortable experiences of their career.

Succession planning for the top joh is one of the most important boardroom functions, yet so many companies get it wrong.

For every Coca Cola – where Doug Ivester moved smoothly into the chief executive and chairman's job after the death of Roberto Goizueta – it seems there is an AT&T. The US telecommunications giant has only recently appointed a chairman and chief executive after months of drift and indscision caused by successive failed attempts to fill the joh.

The impact of succession decisions was illustrated by the recent departure of Sean Lance, operations director and heir apparent at Glaxo Wellcome, the UK pharmaceuticals group, until the board had a change of mind.

Todsy many companies are learning tbat effecting a smooth transition requires careful preparation if damaging uncertainty among executives and shareholders is to be avoided.

NatWest UK, the retail and commercial bank that forms the core of the NatWest Group, bas overhauled its leadership development in the past five years, cresting a pool nf some 40 executives (the pool for the whole group is abont 70 individuals) who are considered by the executive team to possess the qualities necessary to run the company.

Below this is what it calls its "next generation" pool of some 250 managers identified as potential future leadera. The model marks a big departure from tbe old, far more structured system in which employees were placed in one of five tiers thst marked out their potential at an early stage.

Selection for the new executive pools is made by tbe executive committee based on a model of skills and behaviours identified as essential for progressing the company, and nn the track records of the individuals.

One of the key features, says Jeff Jones, the senior manager responsible for executive development at NatWest, is that the executives themselves decide what kind of development they require, be it coaching, mentoring, external courses or e combination of these that the bank'e human resource specialists can provide.

Business schools are beginning to play a larger role in corporate lesdership development, allowing executives who may be in line for the top job to stand back from their respective companies.

Lynda Gratton, professor of organisational behaviour at London Business School says that succession planning has produced consistent transitions of chief executives among hlue chip companies like Shell, BP and Unilever, which have well-defined, long-term business strategies.

Typically executives in such companies know by the age of 30 whether or not they are being groomed for senlnr positions. "These companies are looking for continuity so that the change of chief executive at Shell, for example, is not looked at with the same kind of interest as, say, the succession of Lord Hanson," says Prof Gratton.

Business schools are beginning to play a larger role in corporate leadership development

John Browne, the chief executive of Britisb Petroleum, was, she says, nurtured from an early stage and his progress – how he worked in teams and how be handled jobs in various businesses – was closely monitored. "But it was done in s low key way," says Prof Gratton. "They didn't make any big deal of it. The more explicit you make it the more difficult it is for individuals when they don't make it to the tnp."

One problem of more overt fast-tracking, she warns, is that it can increase the likelihood of politicking, power struggles, and favouritism.

Hewlett Packard, the computer company, deliberately avoids singling people out early in their careers. Instead it creates an internal labour market, helping people to identify their skills requirements. "Taking this self-managed approach, individuals can create their own succession planning," says Ms Gratton.

"Companies tend to be very good st identifying those who manage upwards – who have good presentational skills for managing the business. But they don't identify so well those who ect collegiately and who know how to network. These are the skills that are needed for the future," she says.

Prof Gratton directs the global business consortium, a study group at London Business School, in which small groups of senior executives in the six member companies study and compare their respective approaches to business over three weeks spread throughout the year.

Asda, the UK supermarket chain, used a business school as part of the succession plan under which Archie Norman, the chairman, was able to stand down last year as chief executive without any ripples after smoothing a path for his successor, Allan Leighton.

"You have to have a clear succession strategy within a business," says Mr Leighton. "It can't be wishy-washy and it has to be visihle, both internally because it builds confidence among the staff, and externally because it's important to investors. I knew the shareholders for a long time before my appointment and they knew what was going to happen."

As soon as Mr Leighton was made deputy chief executive with the clear understanding that be would succeed Mr Norman, be went on a course at Harvard Business School for three months. "It gave me time to think outside the box," he says.

Handovers must be clear cut, he adds. Some successions are ruined when the incumbent chief executive stays on too long or does the same joh as the chairman. "It is very difficult if nothing changes but the name," Mr Leighton says. "There is a hig difference between being a director in the business and being chief executive. Preparing for the role is tremendously important."

A new trend, pioneered by Colomhia Business School in New York, ie to tailor leadership courses for specific national groups. The school has recently completed a six week course for 30 public and private sector executives from Bahrain, including six members of its royal family.

Sponsored by the Bahrain Institute of Banking and Finance, the six week conrse inclnded three weeks at Colombia and three separate weeks in Bahrain working on projects focused on the country.

Kennon Miller, director of custom programmes and services at Colombia, said: "The initial approach was made by Bahrain as some of its senior officials were aware of the need to develop leadership and strategic decision-making skills among the next generation of executives. We are now talking about running other courses in the Gulf since we have had interest from a number of states there."

NEWS FROM CAMPUS

Training of equal degree

The reorganisation of the German university system, to bring its degrees into line with other European countries and the US, means that from January 1998 German state universities will be able to offer MBA degrees for the first time.

In an attempt to find out what German students want from an MBA degree, the German monthly magazine *Audimax*, which is distributed to German university students, is conducting a survey in conjunction with Cox Communications, of Idar-Oberstein.

The survey, sponsored by Porsche, is intended to discover the elements which students think would make a good MBA – length of course, type of core and elective courses, work experience and so on.

Cox Communications will then analyse which European business schools best fulfil those criteria and would therefore form the best models for German universities.

At the moment the MBA programmes offered in Germany, such as those at the university of Kohlenz and the European Business School, are privately run.

The result of the *Audimax* survey will be published in March 1998.
Cox Communications: Germany, (0)6781 24414

Nothing to fear but change

One of the biggest hurdles facing companies which want to introduce a programme of change is the fear experienced by many employees. In response to this Ashridge management college is holding a three-day programme to help business leaders deal with nervous employees.

The first *Getting to the Heart of Change* programme will take place on January 28.
Ashridge: UK, (0)1442 841 307

World venture capital link

Small high-technology companies in Queensland, Australia, are getting a helping hand from faculty at the Anderson school at UCLA to access investment funding from the US west coast.

Alan Carsrud, chair of the UCLA venture development programme, which creates start-up companies using UCLA research, will co-ordinate the school's involvement and liaise between US financial networks and the Australian companies.
Anderson: www.anderson.ucla.edu/

MBA with millions

Michael Peagram, chairman of Holliday Chemicals, looks set to become one of Britain's wealthiest MBAs.

If the takeover by chemicals company Yule Catto goes ahead, Mr Peagram, 54, will be left holding £25m in Catto shares and £19m in cash.

Mr Peagram has regularly sponsored events at his alma mater, Manchester Business School, and the school must now be hoping he sponsors a few more.

He is also rumoured to be looking for a job in academia.

Mr Peagram has some way to go before his wealth overtakes supermarket king Lord Sainsbury. He graduated from Columbia.
MBS: http://www.mbs.ac.uk

Information for News from Campus should be sent to Della Bradshaw, FT, Number One Southwark Bridge, London SE1 9HL Tel: 44 171 873 4673 Fax: 44 171 873 3950

BUSINESS TRAVEL

Travel Update · Roger Bray

Hilton opens doors

Two new Hiltons are about to launch in Jerusalem and Mexico City. The former, which has 385 rooms, will open on January 1.

The latter, which sbould open soon afterwards, has been incorporated in the international wing of Mexico City airport. Customers will be able to check in at a desk in the terminal and go to their rooms without leaving the building.

Festive high jinks

Organise the Christmas party invitations at 34,000 ft. Dubai-based airline Emirates is offering inflight telephone calls for a flat charge of $20 (£12) until the end of the month – however long yon talk. The usual charge is $8 a minute. Every seat on the carrier's Boeing 777s is equipped with a satellite phone.

Asian routes

Taiwanese airline Eva Air has announced two new routes. On January 1 it will start flying twice a week to Jakarta from the southern city of Kaoslung, where it wants to establish a "suh hub". And in March it will launch scheduled flights between its main base in Taipei and Osaka under a codeshare with Japan's Air Nippon. Each carrier has been licensed to fly four times a week and it is expected that, between them, they will offer a daily service.

New German link

German airline Eurowings is to launch services between London's Stansted Airport and Nuremburg on February 2. It will operate two round-trips each weekday and one on Saturdays and Sundays – but promises extra flights during the Nuremburg Toy Fair, which runs from February 5-11. The airline will offer an introductory, 14-day advance purchase return fare of £99.

Tale of two cities

Deover or Las Vegas? The UK'e Civil Aviation Authority is expected to reveal this week whether it has given it blessing to British Airways, which wants to start services to the former, or rival Virgin Atlantic, which wants to fly to the latter.

Problem is, the air agreement between London and Washington severely restricts the number of American gateways on offer, and only one is up for grabs.

The two airlines presented their arguments at a public hearing earlier this month. Because Denver's new international airport is a major hub, BA might appear to have the edge.

But the authority will have needed no reminding that at least two US carriers have already operated the route, only to abandon their attempts to make a go of it.

Munich complex

A new trade fair complex will open in February on the site of Munich's former Riem airport. It will incorporate a conference centre designed for flexibility, with rooms for as few as 20 or as many as 3,000 delegates. The complex will largely replace the city's existing Messegelände.

Beds in Bishkek

Hyatt is to manage a 186-room hotel in Bishkek, capital of the central Asian republic of Kyrgyzstan. The property is part of a $15m development which includes serviced apartments, offices, shops and car parking.

Formerly known as the Hotel Kyrgyzstan, it is closed for renovation and we re-open in early 1999.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	12	12	[illegible]	[illegible]	[illegible]
Hong Kong	22	23	22	22	22
London	5	[illegible]	6	[illegible]	[illegible]
Frankfurt	2	-1	-2	-1	1
New York	[illegible]	10	[illegible]	[illegible]	[illegible]
L Angeles	20	22	12	18	20
Milan	[illegible]	7	[illegible]	[illegible]	[illegible]
Paris	3	1	4	7	8
Zurich	[illegible]	[illegible]	[illegible]	3	[illegible]

Information supplied by Meteo Consult of the Netherlands. Maximum temperatures in Celsius

Passengers heed call of the sky

Kieran Cooke reports on a new system of in-flight phones for short-haul journeys

The passenger on an SAS flight between Stockholm and Paris felt thirsty. He picked up the phone in the back of the seat in front of him, dialled "0" and asked for a gin and tonic.

The call was answered at a call centre at Shannon, hundreds of miles away in the west of Ireland. "Sorry, sir," said the operator. "Much as we would like to help you, we cannot send a drink from here up to the aircraft. Please ask the bostess."

In the US, in-flight telephone services have heen available for some time. Jetphone, a 50-50 joint venture company between British Telecommunications and France Télecom set up in 1995 and based at Shannon, is leading the assault on the European market. To date Jetphone has installed its system on more than 200 aircraft operating on short-haul and medium-haul routes in Europe: Air France and SAS are the main customers.

Jetphone says the system based on cellular radio and air-to-ground digital radio links is user-friendly and offers hetter quality than similar existing services within the US, which, it says, are converted from older technology.

However, tbe Jetpbone system is only suited to short-haul and medium-haul flights. On long-hauls, the big carrters such as BA, Qantas, Lufthansa and Singapore Airlines continue to rely on satellite systems. The two main companies involved in airline satellite phone systems are Skyphone – a consortium of BT, Telenor of Norway and Singapore Telecom – and Satellite AirCom, made up of, among others, SITA of France and France Télécom.

With the Jetphone system, the passenger picks up the phone, swipes a credit card through the slot on the side of the handset and, using the international prefix "00", dials the number. Alternatively, by dialling "0", a connection is made with the call centre at Shannon, where operators can answer queries in either English or French. Bored children are among the most frequent in-flight callers to Shannon.

Calls are directed through ground stations. At present the system covers an area from northern Finland to Gibraltar and southern Greece. As more ground statinns are built – at present there are 30 in 10 EU states – in-flight calls will be available on flights to eastern Europe and Turkey. In future, Jetphone aims to cover the Middle East and south-east Asia.

Conor Hsyes, Jetphone's chief executive, says: "From the point of view of the airline, our equipment is smaller, lighter and uses less on-board power than the satellite system. For the passenger, our digital technology means there is not the irritating delay wblcb often occurs on sstellite calls. Most important of all, the calls are cheaper."

Domestic calls using tbe Jetphone system work out at about 75p per 30 seconds, while intra-European calls cost up to £1.50 for the same period. Jetphone says satellite calls can cost between £3 and £4 per balf-minute.

To install s 60-pbone system on an aircraft costs between £175,000 and £200,000. Jetphone says that within 12 months passengers will be able to receive as well as make calls. Phooes will also be ahle to sccept smart cards. Since the beginning of the month, Air France passengers have been able to use Carte France Télécom cards and, in so doing, earn extra airmiles.

To minimise annoyance to fellow passengers, all phones are connected witb special amplifiers. Jetphone says conversations can be beld in little more than a whisper.

More services are being added to the system. A directory inquiries facility is being set up at the Shannon call centre. Passengers will soon be ahle to plug laptop computers to their in-flight phones and access e-mail or send and receive faxes.

"We envisage passengers having the use of a device which combines s pbone and a screen," says Mr Hayes. "Passengers will be ahle to send messages about flight delays, or book holels and bire cars. Airlines will also be ahle to run their in-flight entertainment via tbe device. This could be card games, gambling – there are numerous possihilitles."

Jetpbone says the average time of an in-flight call is two minutes – although one passenger on board an Air France flight was on the phone for 71 minutes, at a total cost of more than £200.

"We had a passenger who insisted on huying champagne for his fellow travellers after settling the sale of his house, 30,000 ft up in the sky," says Mr Hayes. "Some people might want to read a book or have a snooze on a flight, bul nowadays passengers value being shle to stey in touch – at all times."

No sign of the sheriffs in the wild east

Prague's notorious taxis are at last regulated but enforcement is rare, says **Robert Anderson**

The law has finally come to Prague's wild west-style taxi market but the sheriffs have not yet arrived to enforce it. This was vividly brought home to me recently when a burly taxi driver grabbed me in pursuit of his Kč400 (£8) fare for a 2km ride.

Even before last October, when the centre-right government decided to allow taxis to charge whatever price they wanted, Prague cabs were notorious. The deregulation, in the belief that the market would find its own level, only acted as a green light for unscrupulous drivers and criminal gangs to rip off visitors who did not know the rules. The worst reported case was an Australian charged Kč8,500 for a ride of less than 1km.

At the start of this month the city hall began setting maximum prices again: Kč17/km and an initial flagfall of Kč25. From April it will for the first time be able to control who becomes a taxi driver by testing prospective cabbies oo the geography of the city before it issues a licence.

However, there is little enforcement of the new rules. Josef Sidlo, head of texi licensing, admits: "Two thirds of taxl drivers are obeying the new prices, but it is likely that when a foreigner gets in the car, a driver will try to cheat him."

Budget cuts, he says, mean that the town hall cannot afford to employ more staff to check on taxis, and, even when they discover wrongdoing, they have to go through a laborious court procedure before they can take away a driver's licence.

Travellers sbould therefore still approach taxis with care, especially in notorious locations such as Wenceslas Square, the Old Town Square or the main railway stations, where the cabs are run by criminal gangs.

Ideally you shonld telephone for a taxi but if you pick one up in the street make sure it is legitimate, with o yellow "taxi" rooflight, black and white chequered markings, and that it has the driver's name or company, registration number and the legsl price list in a box on each side of the car. Anything else is a private-hire car which has picked you up illegally. Even if you agree a price beforehand, these drivers are well-known for demanding more with menaces.

Once you are in an apparently reputable taxi, check that the driver has put on the meter *(taxametr)* and that it is not spinning round at a dizzying rate. At the end of the ride the driver should print you a receipt *(ucet)* from the meter.

If the fare is too high and reasoned discussion proves unfruitful, you are advised to grit your teeth and pay up – some drivers carry guns – and complain afterwards to the city hall using the receipt and the car's registration and driver's numbers as evidence. You will not necessarily be as lucky as I was when a Kč200 bill left on the car roof persuaded my driver not to pursue me down the street.

ARTS

OPENINGS

ROME
A new season at the Teatro dell'Opera begins tomorrow with Respighi's *La fiamma*. Nelly Miricioiu sings the title role in a staging by Hugo de Ana. The conductor is Gianluigi Gelmetti.

PARIS
It's a rare opera company these days which doesn't have a production by Jonathan Miller in its repertory: he has joined the world's operatic merry-go-round, recycling his ideas from one city to the next with barely a moment to draw inspiration.

Hot on the heels of last month's Stravinsky production in New York, he tackles *La traviata* at the Bastille. Eurostar travellers will be hoping he makes a better job of Verdi's opera than he did last season at English National Opera. His cast includes Angela Gheorghiu (above) and Ramon Vargas, and the first night is Saturday.

ROTTERDAM
Prints and drawings from the Boijmans Van Beuningen Museum's celebrated collection are rarely put on display, because exposure to light poses a hazard to such sensitive works. *Around Raphael*, opening on Saturday, is therefore a valuable opportunity to study works from the High Renaissance, 1480-1550. Artists represented in the exhibition include Leonardo, Mantegna, Fra Bartolommeo and Michelangelo.

HOUSTON
On Sunday, the Museum of Fine Arts presents *The Body of Christ in the Art of Europe and New Spain 1150-1800*, featuring 75 works by Bellini, Botticelli, Rubens, Tintoretto, Veronese and other masters (de Paez, left). The exhibition addresses the meaning and devotional function of the image of Christ in the art of the period, with loans from public and private collections in the US, Mexico and Canada.

GLASGOW
Roald Dahl's *Revolting Rhyme* of Goldilocks hits the concert stage on Thursday in a new musical version by Austrian composer Kurt Schwertsik. The work, the latest in a series commissioned by the Dahl Foundation, will be premiered by the Scottish Chamber Orchestra at the Royal Concert Hall. H K Gruber conducts.

LONDON
Director Sam Mendes brings the classic American newspaper comedy, *The Front Page* (by Ben Hecht and Charles MacArthur), to the London stage tonight. The cast is led by Alun Armstrong and Griff Rhys Jones, at the Donmar Warehouse.

Ian McKellen plays Captain Hook at the National Theatre, in Trevor Nunn's production of *Peter Pan*. The play, adapted by Nunn and John Caird, opens tomorrow at the Olivier Theatre, and co-stars Alec McCowen, Daniel Evans (left) as Peter Pan and Jenny Agutter.

On Wednesday, director Jonathan Kent brings Gogol's comedy, *The Government Inspector*, to the stage of the Almeida Theatre. The play is given in a new version by John Byrne; the cast is led by Tom Hollander (right) and Ian McDiarmid.

Philip Voss: he portrays the true Shylock we know in our minds but have never fully met before in the theatre Alastair Muir

Shylock steals the show

Alastair Macaulay reviews the RSC's new 'Merchant of Venice'

Who and what is Shylock? In that role in the Royal Shakespeare Company's new production of *The Merchant of Venice*, Philip Voss – the finest actor to have appeared with the RSC for several seasons – rises to his greatest heights so far. He is not a radical actor, and his Shylock is not some new-look revisionist account of Shakespeare's classic Jew. The revelations of his acting strike us – simply. stirringly – as revelations of the truth: as a return to the Shylock we have always known in our minds, the Shylock we have most of us never fully met before in the theatre.

But what is the truth of Shylock? He is always a Jew among Christians. All of us recognise in him whatever is alien in ourselves, at the same time as we feel his dissimilarity to us. From the relish of his opening words – "Three thousand ducats" – on, Voss stamps his emotion, his diction, his gestures, with Jewishness. It is not just his rolled Rs and slight lisp, it is the very rhythm and cadence of his speech (those repetitions, like verses from the Old Testament) that set him apart. Yes, he is a piercing critic of the Christians around him, and their anti-Semitism in particular ("You that did void your rheum upon my beard"). But he is also a disconcerting, uncomfortable presence. He is so naked in his religiosity, in his hatreds, in his money-dealings, in his grief, in his vengeance, that, just as we are aboot to identify with him, we recoil from him. He has the most florid, outward gestures onstage; and he has the greatest, most implacable, stillness. He is awesome *and* embarrassing.

Listening and watching, we understand from Voss the living human nature of a written character, the expressive purpose of one line amid an extended speech, the point of one character amid a complex drama, the effect of a single speech within an entire scene. Shakespeare himself becomes larger and keener in our minds while Voss acts him; and Voss returns us to any. aspects of the essence of Shylock more truly than any other recent interpreter.

Take the great scene after Jessica has eloped. In his slow, atunned entrance, he says, in bitter shock to Salerio and Solanio, "You knew, none so well" (his face is bleeding). Then, as they mention Antonio, a new thought strikes him: "Let him look to his bond", softly. Soon his softness changes into rasping harshness; again, now with implacable danger, "Let him look to his bond". And so into the beautiful reason of "Hath not a Jew hands?" Here he sounds less alien than elsewhere. He is one of us; yet he remains uniquely disturbing. As his kinsman Tubal enters, he scales higher peaks of pain and fury. At the same time, however, they and Shakespeare show us, again, that these two Jews are outsiders and that they feel that they are. They are shaken to the core by the treatment they have received, and yet at the core they remain "other". Finally, left alone, Shylock comes to the front of the stage and lets out a great cry; and we are shaken too.

The new prodnction, directed by Gregory Doran, puts the play back into the 16th century and into a vaguely recognisable Venice. But – like the 1993 David Thacker production which relocated it into the grey cityscape of today and whose Shylock was a well-dressed FT-carrying city gent – it "restores" the "Irving" (and *Rigoletto*) scene in which Shylock returns home to find his daughter gone. In the trial scene, Bassanio hurls down golden coins onto the floor to repay Shylock; and Shylock, who is forced onto his knees to beg mercy, finds himself slipping on this pile of money.

The production gauges well the overall proportions of the play (there are a few cuts, including Old Gobbo, no great loss), but the non-Shylock majority of the play is made to seem, as yet, too callow. If a production misses the seriousness and musicality of the final scene, you miss Shylock; and you feel Shakespeare to be the clumsy craftsman he wasn't. Thus here. Helen Schlesinger catches some of Portia's wit, nascent heroism, and surprising flashes of steel; but the authority and stillness that she brings to individual lines she then dilutes with too much flurry and indecisiveness elsewhere. Likewise Scott Handy's handsome, febrile Bassanio is an unresolved performance; he emphasises too many words per sentence, and his sheepish look in admitting his perfidy to Portia in the final scene is cheap. Julian Curry's Antonio is entirely a non-Shylock – cold, prissy, inhibited – and is never the loveable, kind prodigal that others keep making him out to be. The music, by Colin Buckeridge, is the usual over-intrusive RSC film-accompaniment. The set (by Robert Jones), the costumes (by Sue Wilmington), and the lighting (by Howard Harrison) are just a tad too glitzy and cartoony.

The way that, in the trial scene, the Christian men all keep behaving like an operatic chorus in loud unison is foolish. It looks as if Doran set out to make the other characters as three-dimensional and serious as Shylock (and to show the larger drama of Shakespeare's play) and then lost his nerve. When Antonio makes Shylock turn Christian, part of the audience actually laughs: a dismaying but sure sign that the production has dulled its audience's reactions to the complex treatment of Jewishness that Shakespeare and Voss have so vividly shown.

In RSC repertory at the Royal Shakespeare Theatre, Stratford-npon-Avon. Sponsored by Laphroaig.

Verdi's Macbeth reduced to a cube

At La Scala, Andrew Clark finds a lifeless spectacle dressed in kitsch and psychobabble

Compassion, respect, love: the words trip remorsefully off Macbeth's tongue at the start of his Act 4 aria ("Pièta, rispetto, amore"), as he realises what he has lost in his lust for power. They not only restore a degree of dignity to a broken man, but also sum up Verdi's humanist credo, manifested time and again in his operas. So it is distressing to find these qualities sorely absent from Graham Vick's new production of *Macbeth* in Milan. What we get instead is a lifeless spectacle dressed in kitsch and psychobabble.

Vick was an unusual choice for La Scala. Although he earned his spurs last year with the premiere of Berio's *Outis*, it is rare for a foreigner to be handed the opening production of the season, an event of enormous significance. Italians are proprietorial about their Verdi – none more so than Riccardo Muti, whose conservative aesthetic has dominated La Scala since he became music director in 1986. Vick represented a change of style.

The trouble is that Italy has cottoned on to Vick about five years too late. In the early 1990s he was one of the most dynamic young British producers. The more internationally recognised he has become, the less interesting his work seems to be. Like Jonathan Miller, he now inhabits the closeted world of a jet-setter, moving from one operatic capital to the next with no time to draw inspiration.

His *Macbeth* conld have come straight out of a design magazine. Maria Bjornson's single set is abstract, colour-coded (luminous reds and blues) and dominated by a huge tilted cube. With costumes straight from the catwalk – medieval stylisations for the courtiers, body-hugging modern gowns for the witches – and spotlights penetrating the gloom from the wings, the visual impact is stunning.

Behind the façade, however, everything is cold and impersonal. The "acting" amounts to little more than posturing; the characters are as archetypal as masks – no more so than in the choral scenes, where everyone either stands in line or gyrates like a movement class. And long before the end, I was sick of the sight of that cube.

Part of the problem may be the sheer length of the evening. With three intervals lasting as long as each act, it is hardly surprising the performance fails to generate tension. But the production's principal weakness is its over-reliance on design as a communicator of mood and motivation. We don't need Vick to tell us the Macbeths are archetypes; what we need to believe is that they are human. Judging by the banquet scene, they might as well have been puppets.

Tough: Maria Guleghina as Lady Macbeth

Vick explains his approach in an interview in La Scala's lavish programme book. *Macbeth*, he says, is a classic example of an "interior" story, and the producer's task is to follow the protagonists' psychological evolution. No one would quarrel with that. But then he goes on to describe the cube as "an archetypal sculpture", "a magic box", "a highly developed symbol of original civilisation" cepable of "pushing the action claustrophobically towards the audience". It is "an obsessive presence . . . which either suffocates or frees". His references, he tells us, range from pagan iconography to Stanley Kubrik.

Even if I had read this before the performance, I would not have been any the wiser. Vick has lost sight of the essentials of stagecraft: drawing performances of truthfulness and individual character, regardless of the surroundings. In *Macbeth*, the cast held the stage with stand-and-deliver anonymity. Renato Bruson sang his closing aria like a grandfather reminiscing by the fire. He is really too old for Macbeth; although technically secure, the voice has lost its distinctive warmth and colour. Maria Guleghina's Lady Macbeth acted like a prima donna, tough and psychologically impenetrable. Her arias were studied vocal displays rather than virtuoso flourishes, and the sleep-walking scene was a non-event.

Roberto Alagna brought some star quality to Macduff – the aria was refreshingly unforced, if hardly gut-wrenching – but it was very much a walk-on performance, and there was no explanation why he should wander around like an uninvited guest at the banquet. The witches did not move or look like witches – except in Act 3, where, in one of Bjornson's more inspired ideas, some were dangled from the flies; at least they sounded convincingly shrill.

It would be interesting to know what Muti thought of all this. Judging by his relentless speeds, he was impatient to get it over with as quickly as possible. In the grand choruses he began to relax his iron grip and allow the music to breathe. And the production's one unmitigated success was the inclusion of the ballet music Verdi added to the score for his 1865 Paris revision. It is almost always cut – but what gorgeous music it is. In Muti's hands it sounded tender, gracious and, by the standards of the 1847 score, rather sophisticated. Sadly, it was matched to choreography by Ron Howell which made the witches look as if they were attached to electrodes.

Over the past 20 years I have attended many Verdi performances at La Scala. Some are permanently etched on my memory; a few were instantly forgettable. None had as few redeeming features as this.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

EXHIBITIONS
Rijksmuseum
Tel: 31-20-673 2121
On Country Roads and Fields: tracing the development of Dutch landscape painting through the 18th and 19th centuries, this exhibition starts with the idealised visions of De Moucheron, includes examples of the Hague School post-1860, and concludes with turn-of-the-century works by Van Gogh and Mondrian; to Mar 3

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Dialogues des Carmélites: by Poulenc. New production conducted by Yves Abel in a staging by Robert Carsen. Cast includes Joan Rodgers and Sheri Greenawald; Dec 16, 19

■ BERLIN

CONCERTS
Deutsche Oper
Tel: 49-30-34384-01
Carmina Burana: by Orff. Conducted by Rafael Frühbeck de Burgos. With the Clemencic Consort conducted by René Clemencic; Dec 16, 19

Philharmonie
Tel: 49-30-2548 8354
Berlin Philharmonic Orchestra: conducted by Daniel Barenboim in works by Mendelssohn, Rihm and Bruckner; Dec 19, 20

DANCE
Deutsche Oper
Tel: 49-30-34384-01
Deutsche Oper Ballet: Rosalinde, choreographed by Ronald Hynd to music by J. Strauss; Dec 17

OPERA
Deutsche Oper
Tel: 49-30-34384-01
Hänsel und Gretel: by Humperdinck. Premiere conducted by Olaf Henzold in a staging by Andreas Homoki; Dec 18

■ BOLOGNA

OPERA
Teatro Comunale
Tel: 39-51-529 999
www.nettuno.it/bol/teatrocomunale
Turandot: by Puccini. Revival conducted by Daniele Gatti in a staging by Hugo de Ana; Dec 16, 18

■ CHICAGO

EXHIBITIONS
Art Institute Of Chicago
Tel: 1-312-443 3600
www.artic.edu
Renoir's Portraits: Impressions of an Age. Around 65 paintings spanning the artist's career, of subjects including Claude Monet and Madame Renoir. The show has been seen in Ottawa and will travel to Texas; to Jan 4

OPERA
Lyric Opera of Chicago
Tel: 1-312-332 2244
www.lyricopera.org
Amistad: world premiere of Anthony Davis's new work about the 19th century anti-slavery campaign. Dennis Russell Davies conducts a production by George C. Woolfe; Dec 17, 20

■ LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
● Christmas Carol Concert: Richard Hickox conducts the London Symphony Orchestra and Chorus in a programme including Humperdinck's Hansel and Gretel Overture and extracts from The Nutcracker; Dec 20
● London Symphony Orchestra: conducted by Tadaaki Otaka in works by Rachmaninov. With Leif Ove Andsnes in Piano Concerto No. 3; Dec 18

Royal Festival Hall
Tel: 44-171-9288800
The Royal Opera: Elisabetta, by Donizetti. Concert performance, conducted by Carlo Rizzi; Dec 18

EXHIBITIONS
National Portrait Gallery
Tel: 44-171-306 0055
Hyenas in Petticoats: Mary Wollstonecraft & Mary Shelley. Celebration of the joint bicentenary of the two women writers, the birth of the latter having caused her mother's death. Through portraiture, drawings and manuscripts the display examines their lives, times and writings; to Feb 15

OPERA
Shaftesbury Theatre
Tel: 44-171-379 5399
The Royal Opera: Paul Bunyan, by Britten. New production staged by Francesca Zambello and conducted by Richard Hickox; Dec 15, 17

■ LOS ANGELES

CONCERTS
Dorothy Chandler Pavilion
Tel: 1-213-365 3500
Los Angeles Philharmonic: conducted by Esa-Pekka Salonen in works by Beethoven, John Williams and Nielsen. With violin soloist Alexander Treger; Dec 18, 20

■ MILAN

DANCE
Teatro alla Scala
Tel: 39-2-88791
Giselle: with sets and costumes by Marie-Louise Ekman; Dec 17, 18, 20

OPERA
Teatro alla Scala
Tel: 39-2-88791
Macbeth: by Verdi. Conducted by Riccardo Muti in a staging by Graham Vick, with designs by Maria Bjornson. Casts vary; look out for Maria Guleghina and Roberto Alagna; Dec 16, 19

■ NEW YORK

CONCERTS
Lincoln Center
Tel: 1-212-721 6500
www.lincolncenter.org
● New York Philharmonic: conducted by Kurt Masur in works by Shostakovich and Prokofiev. With violin soloist Midori; Avery Fisher Hall; Dec 17, 18, 19
● New York Philharmonic: conducted by Dr Walter J. Turnbull with the Boys Choir of Harlem; Avery Fisher Hall; Dec 20

DANCE
New York City Ballet, New York State Theater
Tel: 1-212-870 5570
George Balanchine's The Nutcracker; Dec 16, 17, 18, 19, 20

EXHIBITIONS
Metropolitan Museum of Art
Tel: 1-212-879 5500
www.metmuseum.org
Gianni Versace: this tribute to the late Italian designer explores the influences upon his work of abstract artists including Warhol, and of historical styles ranging from Greek and Roman classicism to 18th century court styles. The show also explores his use of new materials such as plastic and leather; to Mar 22

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
Il Barbiere di Siviglia: by Rossini. Revival of a staging by John Cox; Dec 17, 20

■ PARIS

OPERA
Opéra National de Paris, Opéra Bastille
Tel: 33-1-4473 1300
● Der Rosenkavalier: by Strauss. New production conducted by Edo de Waart in a staging by Herbert Wernicke. Cast includes Renée Fleming, Susan Graham and Barbara Bonney; Dec 19
● La Traviata: by Verdi. Production directed by Jonathan Miller and conducted by James Conlon. Angela Gheorghiu sings the role of Violetta; Dec 20

Opéra National de Paris, Palais Garnier
Tel: 33-1-43439696
The Merry Widow: by Franz Lehár. Armin Jordan conducts a new production directed by Jorge Lavelli, with sets by Antonio Lagarto; Dec 19

Théâtre des Champs Elysées
Tel: 33-1-49525050
● Fidelio: by Beethoven. Production staged by Patrice Caurier and Moshe Leiser, with the Orchestre des Champs-Elysées and the Choir of the Welsh National Opera. Conducted by Louis Langrée; Dec 18, 18
● Leonore: by Beethoven. Production staged by Patrice Caurier and Moshe Leiser, and conducted by Louis Langrée. With the Orchestre des Champs-Elysées and the Choir of the Welsh National Opera; Dec 17

■ ROME

OPERA
Teatro dell' Opera
Tel: 39-6-481601
www.themix.it
La Fiamma: by Respighi. This first production of the season is by Hugo De Ana, and is conducted by Gianluigi Gelmetti; Dec 18, 19

■ TV AND RADIO

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BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV
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10.00: *European Money Wheel*
Nonstop live coverage until 15.00 of European business and the financial markets.
17.30: *Financial Times Business Tonight*

● **CNBC**
08.30: *Squawk Box*
10.00: *European Money Wheel*
18.00: *Financial Times Business Tonight*

Philip Stephens

A foot in the club

Blair's bid to keep Britain involved with the euro 'ins' while keeping sterling out was bound to lead to a clash

There are two ways of looking at the weekend accord setting up a EuroX clnb of single currency countries. Kremlinologists will want to pore over the precise wording of the communique issued by European Union leaders at their summit in Luxembourg. Those more interested in realpolitik will understand that the role of the new group will be shaped by events rather than by any diplomats' draft.

The part played by Tony Blair at the summit was always going to invite comparisons with Margaret Thatcher and John Major, his Conservative predecessors. The notion that Britain's fate is either one of triumphant isolation or of bumiliating defeat is embedded deep in the psychology of these events.

In fact, things have changed. The then Mrs Thatcber used to spend most of her time seeking to block the creation of any new Euro clubs. Mr Major saw his role as ensuring he could opt out of them. Mr Blair is intent on putting a foot back in the door.

That was never going to be easy as far as the single currency is concerned. Mr Blair's government has said it will not take sterling into economic and monetary union this side of another general election. How then could he demand membership of the EuroX club of finance ministers which is being set up to represent the single currency "ins"?

The ontcome, as might have been foreseen, was a ferocious clash between Mr Blair and his French counterpart Lionel Jospin – followed by an equally predictable deal brokered by Germany's Helmut Kohl.

These Anglo-French rows have a long pedigree. Mr Jospin has reminded Mr Blair several times that, since the British invented clubs, they should be well aware of the rules which restrict membership. It is a fair point. But be might have added that none have been more jealous than the French of the exclusivity of Europe's clubs.

When Robert Schuman, the then French foreign minister, proposed the creation of a coal and steel community in 1950, his priority was to prevent Britain obstructing this first step towards European integration. Clement Attlee, the Britisb prime minister, wanted a place at the negotiating table withont any advance commitment to participate. Schuman responded by insisting that only those who had agreed to join could attend the conference which would establish the new community. *Plus ça change.*

The politics in Luxembourg were more snbtle. True, the six hours it took to hammer ont a compromise on the ground rules for EuroX were dominated by often heated exchanges between Mr Blair and Mr Jospin. It was not simply, though, a question of the 11 probable Emn "ins", led by France, trying to exclude the four "outs", represented by Mr Blair.

The common ground among the prospective single currency participants was that the euro bloc mnst have the right to discuss matters of mutual interest separately from the Ecofin council of all 15 finance ministers. Beyond that, however, France's vision of EuroX as an embryonic economic government for Europe is hardly universal.

> Mr Jospin has reminded Mr Blair several times that, since the British invented clubs, they should be well aware of the rules of membership

Mr Kohl was less than happy with an agreement struck in advance of the summit by Theo Waigel, his own finance minister, with France's Dominique Strauss-Kahn. The Bundesbank, it seems, had protested vigorously that this expansive blueprint for EuroX would threaten the hallowed independence of the European central bank.

So if Mr Blair managed to scale back the remit for EuroX, Mr Kohl was not going to complain. Nor, for that matter, would Italy's Romano Prodi. The Rome government is ever suspicious of clubs run by the Franco-German axis. Hence Mr Kohl's role as the architect of the eventual compromise, and Mr Prodi's rather extravagant praise of Mr Blair's "extraordinary spirit of collaboration".

As to the eventual text, it is as ambiguous as it is short. The EuroX finance ministers will meet to discuss matters of specific interest to those in the single currency: the euro's exchange rate, the operation of the fiscal stability pact and appointments to the central bank are obvious examples. But Ecofin will be remain the sole decision-making forum, and the Emu "outs" cannot be excluded from any discussion of wider economic issues such as, say, tax and labour market policies.

Mr Blair is adamant that this was a deal worth fighting for, even if he drew down on his stock of political credit in the process – Mr Kohl teased him afterwards by saying he had added a touch of charm to Mrs Thatcher's legendary obstinacy. But the chancellor added, with some satisfaction, that it was now clear what EuroX was and, more to the point perhaps, what it wasn't.

For his part, Mr Blair does not doubt Mr Kohl's political acumen. But he judges that, while the compromise obviously suited Bonn, Mr Kohl would have been reluctant to provoke a row with Mr Jospin to secure it.

From this, I take that Mr Blair has won himself a breathing space. For a while anyway, the remit of EuroX will be fairly tightly drawn. Mr Jospin's plans to cut unemployment by imposing a 35-hour working week are not, after all, universally popular among his continental colleagues.

But the boundaries are not immovable. France, as Mr Strauss-Kahn indicated after ths summit, will be forever attempting to push them outwards. Once the euro has been established, others may well incline to the view, in Mr Strauss-Kahn's favourite metaphor, that those not party to a marriage should not bs allowed in tbe bedroom. And Britain can never underestimate the Franco-German alliance.

How far and fast events move depends on Mr Blair. If he is seen to be serious about joining Emn by, say, 2002, he will find ready allies in the euro club. If the reassuring rhetoric is not matched by tangible action to prepare the national mood for entry, then Britain will be pushed towards the margins.

Mr Blair says he understands this. He sees the forthcoming EU presidency as pivotal in reshaping not only Europe's attitude towards Britain, but Britain's perception of Europe. By overseeing a smooth launch for the euro, he can rebuild his political capital. Beyond that, it will be deeds that count. Words in a summit communique are all too easily forgotten.

·LETTERS TO THE EDITOR·

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Odds stacked against breaking into Japan

From Mr James Moorhouse, MEP.

Sir, The US government and Congress are not the only bodies to be dismayed by the apparent rejection of US/Kodak's complaint to the World Trade Organisation. ("WTO's film ruling angers *Washington*", December 8).

As rapporteur for the European Parliament on trade and economic relations between the EU and Japan since 1985, I can testify that we are equally concerned about the regulatory obstacles which continne to stand in the way of European companies wanting to do business in Japan.

Kodak is yet another case. The news that it may well lose its case at the hands of the WTO disputes panel came as a bombshell to those of us who follow events on Japanese affairs. One does not need to be in Japan for very long to see how the odds are still stacked against European companies, although there are some notable exceptions at the luxury end of the market. In the case of Kodak, it would clearly require a superhuman and costly effort for them to break into the Japanese market, not least becanse the distribution system is virtually closed.

Although it is true to say that there has been some progress towards deregulation, the current government seems to have slackened the pace of reform. There are many areas where the Japanese market is still heavily regulated and these were listed in my European Parliament report of September 1997.

Events of recent weeks have given cause for considerable worldwide concern about the economic and financial situation in Japan. The Japanese are greatly attached to the value of the "keiretsu" (a unique linkage between banks and companies) which is quite unlike anything we are accustomed to in the west. We are ready fully to respect the Japanese approach, but cannot avoid the conclusion that while Japanese organisations have ready access to the European single market, the reverse is far from true.

The Kodak Fuji case has produced a highly contentious response from the WTO's disputes panel – frankly, why they could not see the justice of Kodak's case is a mystery to me.

James Moorhouse,
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Club together and do the right thing

From Mr Anthony Stowell.

Sir, People who eat meat are not to be trusted to make a responsible and informed choice when given scientific evidence that there may be a one in several million risk in eating rib beef or lamb chops. So these goods are to be banned and retailers criminalised for selling them.

People who smoke cigarettes, on the other hand, are to be trusted to make an informed choice even when faced with the incontrovertible evidence that smoking will kill thousands of them. A 10-year guarantee allowing companies to advertise tobacco in a high profile campaign directed at the young has been authorised by the government.

Is there an anomaly here? Or should the farmers do the right thing and club together to make a substantial contribution to Labour Party funds?

Anthony Stowell,
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Congo needs massive debt relief – now

From Mr David Bryer.

Sir, Swiss government action on Mobutu's deposited millions ("Swiss tell banks to reopen Mobutu probe", December 5) is welcome, but it does beg the question of how the money got there in the first place. Irresponsible lending by the leading donors to the corrupt Mobutu regime over the last 30 years has left former Zaire with a staggering external debt of $4bn.

This massive debt jeopardises efforts to rebuild the economy and acts as a significant disincentive for investors.

Thirty years of Mobutu rule has left the new government with the massive task of rebuilding a shattered economy and a neglected social sector. Swift action to provide debt relief, principally for social spending, could shift millions of dollars to basic health care and education for the Congo's poor.

At present the World Bank's Highly Indebted Poor Country (HIPC) debt initiative would grant debt relief for Congo only in 10 years' time. A swifter and deeper HIPC relief needs to be agreed.

Such debt relief must be contingent upon the government demonstrating commitment to reduce poverty, foster greater respect for human right and bumanitarian law, and thereby reducing the risk of further conflict.

Ultimately, the responsibility lies with president Kabila to develop plans that will address the problems of his beleaguered nation. However, the international community has an important role in supporting and encouraging development which assists the millions of Congolese who lost their livelihoods through war and maladministration.

David Bryer,
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Korea: get results, or let the chips fall

From Mr Pimm Fox.

Sir, With the seeming about-face by the government of South Korea, it would appear that the IMF, World Bank and the Asia Development Bank have now gone out on a limb.

If South Korea does indeed default on some of its obligations, then will the IMF, World Bank and ADB just sit idly by?

On the one hand, doctors can't force their patients to take the medicine. But when there is a chance of spreading the contagion – it even sounds dreadful – then rougher measures will have to be sought out.

Is it not time western leaders acknowledged their responsibility in this situation and either deliver some results, or back off and let the chips fall? Investors and taxpayers shouldn't have to hold their breath.

Pimm Fox,
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Mark Suzman on Washington's changing attitude to Africa

A fresh start and fine sentiments

A strange word is being heard in the corridors of power in Washington. *It* has started to crop up whenever administration officials list their foreign policy priorities. Even more striking, for the first time in decades, it is being uttered in conjunction with terms like "trade" and "investment" rather than "*crisis*".

The word is Africa. And its emergence high on President Bill Clinton's second-term agenda is one of the surprises of an administration often accused of lacking international vision. Confirming the continent's new status, Madeleine Albright has been criss-crossing central and southern Africa in her first visit as US secretary of state. Next year Mr Clinton himself is planning a trip.

Underlying these travel plans is a vision of a new relationship between the US and a generation of post-Cold War African leaders. Over recent years, new presidents have come to power in Ethiopia, Eritrea, Rwanda, Uganda and elsewhere, all committed to more open economic policies, to new foreign policy patterns and to more democratic regimes. "It is time for the people of the United States to open a new chapter in our relations with the people of this continent," Mrs Albright told the Organisation of African Unity in Addis Ababa.

The US wants to integrate Africa into the global economy, *promote* democracy and improve the continent's ability to cope with security problems. These aims are familiar. This time, however, improving economic performance - and using trade, not aid, to do so - is seen as a prerequisite for maintaining *political stability*.

Bnt while the early response has been positive, the US's rhetoric is not being backed up witb extra resources. And that has raised concern that the initiative could become merely the latest in a long series of well-intentioned programmes that end up frustrated by the vast scale of the continent's social and economic problems.

"There has been a substantial shift in attitude," says Salih Booker, an Africa specialist at the Council of Foreign Relations, an influential US think-tank. "But while the mindset is changing, the content of the new policies is very thin."

Kabila: the US has high hopes for his new regime in Congo

Still, it is a stark contrast to Mr Clinton's first term. Then the only US involvement of note was his 1993 decision to withdraw tbe troops George Bush, his predecessor, had sent to war-torn Somalia to restore order and provide bumanitarian assistance. A few dead US soldiers soon persuaded the new administration of the folly of direct intervention on a continent of little strategic importance.

Nevertheless, since tbe election of President Nelson Mandela in South Africa in 1994 closed the door on apartheid - the US's primary African preoccupation of the 1980s - it has closely monitored prospects for change elsewhere. Now the unexpected overthrow of Mobutu Sese Seko, the former dictator of Congo, has opened the possibility for a similar dramatic shift in the fortunes of central Africa. The overthrow has acted as the catalyst for a much sharper US focus on the continent, building on political pressure from the African-American community and a strong personal interest by influential players such as Hillary Clinton, the first lady, and Larry Summers, deputy treasury secretary.

Tbe shift has been prompted as much by fear as hope. On the one hand, the US believes *many* African countries are on the verge of breaking out of a vicious cycle of political instability and economic stagnation and wishes to enhance its influence in a region traditionally dominated by former colonial powers like the UK and France. On the other, there is a lingering worry that disasters like the 1994 Rwandan massacres are doomed to recur unless the West takes a more direct hand in helping consolidate and expand the nascent reform movement.

The chief vehicle for the new policy is a much touted "Growth and Opportunity" programme currently being considered by Congress. Launched by Mr Clinton just ahead of the G-8 summit in Denver last June, it promises enhanced access to the US market for thousands of African products leading eventually to full-blown trade agreements with countries that show most progress in restructuring tbeir economies. In conjunction with a new debt relief plan, the hope is that it will generate a *few economic* "success stories" that set a positive example for their neighbours.

But it remains far from clear whether the trade-weighted economic focus will prove successful. Africa's annual exports to the US are only $15bn (£9bn) and more than half of that comes from Nigeria and South Africa. Most African countries lack the capacity even to take full advantage of existing trade concessions, let alone the new ones on offer.

As evidence of their commitment, US officials point to a $150m fund established last week by the Overseas Private Investment Corporation. There are also plans for a $500m infrastructure fund. But most of the money has to be raised from the private sector first. Meanwhile, there has been a continued decline in aid: last year the US slashed bilateral assistance to Africa by 17 per cent to slightly more than $1bn, forcing cuts in social and educational programmes it traditionally sponsors.

Even more problematic, the US has little idea of what to do with unco-operative regional powerhouses like Kenya and Nigeria. And while it hopes Laurent Kabila's new regime in Congo will secure the central African revival, the government is bankrupt, the economy in ruins and the population increasingly restive.

In many ways, US policy in Congo serves as a microcosm of the new approach. There has been a fresh start and lots of fine sentiment. But there has been little new investment and Mrs Albright's offer of aid to the country is only $10m this year – a tiny fraction of the billions needed just to start repairing roads, railways and communications systems. That has led to scepticism that over whether the US strategy will amount to more than a classic Clinton "feel-good" exercise comprising warm words but few deeds.

Nevertheless, after so many years of neglect there is a feeling that just having the words reverberate through tbe White House has some positive effect. "The new approach is changing entrenched attitudes and priorities about Africa," says Constance Freeman, director of African Studies at Washington's Center for Strategic and International Studies. "Does it solve Africa's problems? Surely not. But is it worthwhile? Absolutely."

COMMENT & ANALYSIS

FINANCIAL TIMES
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EU extends its embrace

It was always going to take adept diplomacy for the European Union to launch negotiations on extending its membership at the same time as setting up what will, at the start, be a currency union of only some of its members. For the greatest risk of both these endeavours is that they will create new divisions within Europe.

In Luxembourg at the weekend, EU leaders finessed the issue of the rights of those countries outside economic and monetary union (Emu) to a say in the deliberations of those within Emu. But the summit's success on enlargement can only be called partial, in the light of Turkey's frosty reaction to being treated differently from east European candidates.

The compromise over the planned consultation body of countries adopting the euro in 1999 (dubbed euro-x until next May when we know exactly how many countries will share the euro) was predictable. It leaves the Emu "ins" free to debate specific issues related to their common currency, but gives the Emu "outs" the right to be consulted on "matters of common interest". Its flaw is the imprecision about who decides what is of common interest, but this is partly remedied by the reaffirmation of the Ecofin council, grouping all 15 members, as the Union's only formal decision-making body.

Tony Blair, the British prime minister, was right to complain that the likely Emu "outs" should not be shut out of the formative debates and decisions on the euro which will intimately affect their own monetary policies. But he could probably have won the same result with several hours less acrimonious debate in Luxembourg. Indeed he may have used up political capital vital to the UK's forthcoming presidency which will oversee the launch of the EU's fifth and biggest-ever enlargement.

Luxembourg largely succeeded in putting some candidates on a faster track without neglecting the others. So all 10 east European candidates get special accession programmes and aid, though only five of them will join Cyprus in the first wave of real negotiations.

But Turkey is angry at being invited only to join the 11 other candidates at an annual general "European conference", and on terms that seem to require it to mend its human rights record and territorial quarrels with Greece. Ankara yesterday called the conditions unacceptable and the European conference unimportant.

Without Turkey, the conference makes little sense; its main purpose is to bring Turkey in from the cold, even if not into the EU. But without that conference, Turkey has little prospect of moving closer to Europe. It should take the offer up.

Microsoft ruling

The US court decision against Microsoft last week will have little practical impact on the company in the short run. It may nonetheless mark a watershed in the company's history – the point at which Microsoft's effective monopoly of personal computer operating systems moves firmly into the ambit of the law.

The judgement imposed an interim ban on Microsoft's plan to require computer makers which bought its Windows 95 operating system also to install the (free) Internet Explorer browser, used to access the World Wide Web. The debate concerns whether the company was breaking an earlier promise to the justice department that it would not require its computer-maker customers to take other Microsoft products.

Microsoft's argument – which the judge found plausible but not necessarily convincing – was that the browser was integrated with the operating system. A clause in the agreement with the justice department expressly permits the company to integrate new features into Windows. A court-appointed expert will now examine the whole question of integration.

In the meantime, Microsoft cannot carry out its plan to force computer makers to take the browser; and it must hastily revise plans for its next generation operating system, Windows 98, in which the browser plays an important role. Those changes will be inconvenient, but they will scarcely hurt the company. If offered the choice whether or not to take the browser as well as Windows, most computer makers will cheerfully accept this free additional piece of software.

More significant is a paragraph near the end of the judgement: "The probability that Microsoft will not only continue to reinforce its operating system monopoly by its licencing practices, but might also acquire yet another monopoly in the internet browser market is simply too great to tolerate indefinitely. Those practices should be abated until it is conclusively established that they are benign."

With those words, Judge Thomas Penfield Jackson indicated that, in the eyes of the courts, Microsoft's operating system monopoly will be a continuing focus of legal attention, just as IBM's comparable monopoly of the market for big mainframes was in the 1970s. In the end, IBM won most of the cases brought by the government. But fighting them took up huge amounts of the company's time, and constrained its competitive aggression.

For Microsoft, Judge Jackson has raised a similar spectre. Increasingly, Windows will be a product shaped as much by the courts as by its programmers' imaginations.

Chile's vote

Chileans have every right to be proud of the way they have managed the transition to democracy since 1989, while at the same time strengthening the country's economy. As testimony to their success, witness the resilience of the economy in the face of Thursday's congressional elections and a series of events that have made other economies in Latin America shudder – falling export prices and Asia's currency crisis.

The message from last week's election, though, is that there is no room for complacency. While the centre-left coalition that has run government since 1989 retained its majority in the lower house of Congress, its share of the vote fell and it lost a seat in the senate.

A record number of spoiled ballots and high abstentions, particularly among the young, suggests widespread indifference or disillusionment with government. There were also signs of weakening support for the parties at the centre to the benefit of those at the edges of the political spectrum.

The Christian Democrats, the axis of the governing coalition, lost ground, as did Renovación Nacional, the more centrist of the two right-wing opposition parties. The right-wing UDI – backers of the former dictator Augusto Pinochet, now head of the armed forces – gained votes, as did the much smaller Communist party.

Moreover, the government's setback in the senate means that important changes to Gen Pinochet's 1980 constitution are now likely to be postponed until the next century. The constitution currently provides for the appointment of nine non-elected senators, four by the armed forces. Gen Pinochet himself is set to become an appointed senator when he retires as head of the armed forces next year.

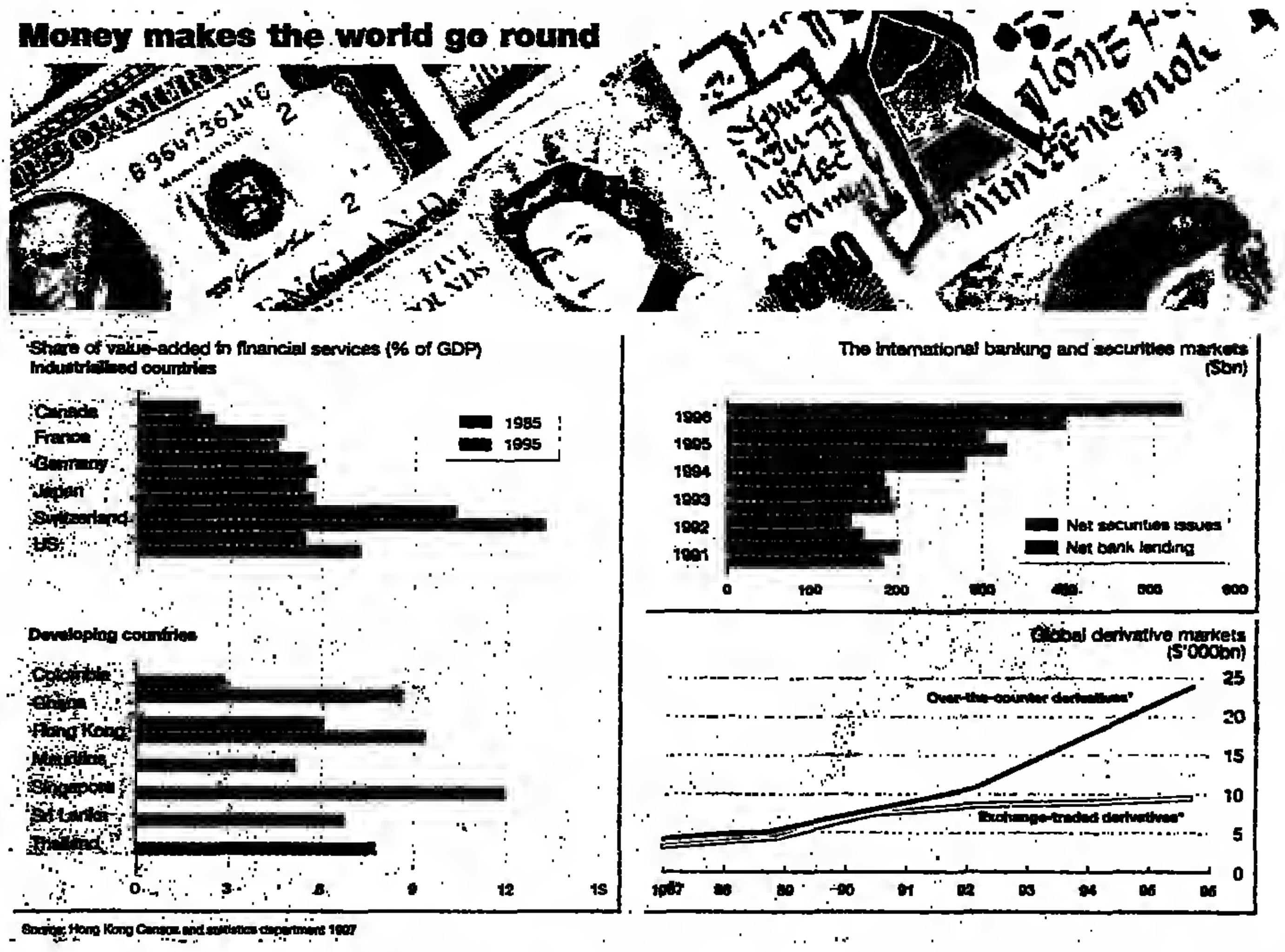
Chile will therefore continue for some time to be a democracy in which the head of the armed forces does not report to the president.

The picture would look more secure if the governing coalition had devised an agreed way of choosing a presidential candidate. The danger is that the governing parties will lose popularity and undermine the coherence of the coalition by embarking on acrimonious infighting to nominate the candidate for elections in late 1999.

It would be wrong to overstate the dangers to elected government in Chile. Yet democracy is still recovering from a 17-year dictatorship, and authoritarianism has not been buried. The country's politicians must tread carefully in the coming years so as not to undermine confidence in the democracy that they have so painstakingly helped to rebuild.

Happy end to a cliff hanger

The monster financial services industry has been caged by a landmark international accord, writes Guy de Jonquières



As international negotiators crowded the World Trade Organisation's Italianate headquarters in Geneva early on Saturday, the scene resembled a 19th century opera. There was cliff-hanging suspense, a duel between the protagonists, complex sub-plots and off-stage manoeuvres – and a dramatic dénouement just before the final curtain.

But the gathering's theme could not have been more topical. Set against continuing market turmoil in Asia, its purpose was to unleash the forces of global competition in financial services and place them firmly in a multilateral framework of legally binding rules and disciplines.

The agreement which finally emerged was hailed by Renato Ruggiero, WTO director-general, as a landmark in the history of trade liberalisation. His rhetoric may be overdone. But by any measure, the deal is an important milestone.

It was made possible only by a clear shift in attitude among developing countries, which comprise the bulk of the more than 70 signatories. In contrast to their warm welcome for inward investment in manufacturing, most have long shunned foreign participation in their banking, insurance and securities markets. The result has been primitive and inefficient financial systems, the shortcomings of which are at the root of Asia's current crisis.

But the agreement signals a widely shared commitment to embrace modernisation, despite often fierce domestic opposition. Admittedly, it was extracted under heavy pressure from the US and European Union, and liberalisation will in many cases be phased in over several years after the agreement enters force in early 1999. Nonetheless, the momentum has been generated for further progress in WTO financial services negotiations, due to start in two years' time.

In addition to bolstering financial market confidence, the agreement is a vote of political confidence in the global trade system at a critical moment. The full participation of the US – which was vital to the deal – goes a long way to quell suspicions that it was turning inwards after President Bill Clinton's failure last month to win from Congress the "fast track" authority needed to negotiate future trade agreements.

Yet, almost until the last minute, success seemed far from guaranteed. The US entered the final stages of the negotiations talking tough to other WTO members, but apparently running scared of critics at home. "The Americans seemed to be wetting their pants with anxiety about upsetting Congress," one trade official said.

Although the agreement does not require approval by Congress, President Clinton's administration was under strong pressure to appease critics there. After walking away from WTO financial services talks in 1995, saying other countries had not done enough to liberalise, it could not afford to settle for a deal which would expose it to charges that it had failed to stand up for national interests.

Some observers believed the administration was too nervous. Its feet have been held to the fire mainly by Senator Alfonse D'Amato, author of the controversial Iran-Libya Sanctions Act. Mr D'Amato's chairmanship of the Senate banking committee and New York power base give him undoubted clout. However, some influential members of the House of Representatives were also pushing strongly for an agreement.

Nonetheless, Washington continued to play for time until barely 24 hours before the deadline for concluding the talks. On Thursday, according to trade diplomats, the word came from Robert Rubin, treasury secretary, that the US was ready only to contemplate an agreement limited to three years – an idea first suggested by Senator D'Amato.

But the proposal was flatly rejected by the EU. In a rare display of unanimity, its council of ministers instructed Sir Leon Brittan, trade commissioner, to tell Mr Rubin that it would accept nothing short of a permanent agreement, which committed all WTO members to respecting non-discriminatory trade principles. At about that point, Washington appears to have concluded that it could not afford the risk that the negotiations would fail. Lawrence Summers, Mr Rubin's deputy, telephoned Mr Ruggiero to say his government was ready to do a deal.

But the US continued to bargain hard right up to the deadline, securing a number of key concessions, notably from Malaysia and Japan. Indeed, its negotiators appeared so determined to continue talking that the EU delegation declared that if no final agreement was reached by 2am on Saturday, its members would walk out and retire to bed.

Impatient as they had become with US delaying antics, the Europeans were priding themselves on carrying the day. "This has been the most extraordinary exercise," said one veteran trade negotiator. "The US has ended up doing what it repeatedly said it did not want to do."

There can be little doubt, however, that Mr Clinton will sell the deal hard to Congress as a triumph for the US and for free market principles. Although it does not go as far to open markets as some US financial institutions had hoped, he can count on solid lobbying support from heavyweight industry leaders.

Mr Clinton and his senior advisers may also, legitimately, present the agreement as an advertisement for the benefits of multilateral liberalisation. Many critics in Washington have blamed the loss of fast track on the president's failure to win over political and public opinion by taking a strong stand in favour of the advantages of free trade.

This weekend's success in Geneva furnishes him with plenty of arguments. Whether he chooses to use them will be a revealing test of his commitment to launching a renewed campaign to win fast track early next year.

New rules for a trillion-dollar game

The deal concluded in the early hours of Saturday morning covers more than 95 per cent of the world's multi-trillion dollar financial services market. It involves, on US estimates, $18,000bn in global securities assets, $38,000bn in international bank lending and about $2,500bn in worldwide insurance premiums.

Under the agreement, which will come into force at the beginning of March 1999, 102 countries have pledged to open, to varying degrees, their banking, insurance and securities sectors to foreign competition. In common with other World Trade Organisation services deals, the accord covers not just cross-border trade but all the ways foreign suppliers can deliver services to a country's market including the establishment of local subsidiaries or branches.

Even more importantly, WTO members have agreed to subject financial services to legally binding fair-trade rules and disciplines. Countries will be able to challenge transgressors in the WTO's dispute settlement system, forcing them to amend their behaviour or face retaliation.

The accord builds on commitments made first in 1993 when the Uruguay Round of global trade talks came to an end, and then in 1995 after the European Union persuaded more than 40 governments to join an interim deal following a US walk-out.

All 70 participating countries are free to improve their offers before the agreement comes entry into force, and further WTO negotiations on services, including financial services, are due to start in 2000.

Washington has already said that before the pact takes effect it will press Malaysia to abandon its policy of requiring foreign insurers to divest local shareholdings over 51 per cent.

More fruitful may be pressure on South Korea to go further in guaranteeing in the WTO liberalisation commitments it has already made in joining the Organisation for Economic Co-operation and Development.

Among the highlights of the financial services agreement:

- The US and EU will, with minor restrictions, be fully open to foreign banks, insurance and securities companies. However, the US will not permit Malaysian firms to enter its insurance market unless Malaysia abandons its disinvestment policy for foreign companies such as American International Group (AIG), the big US insurance company.
- Japan has opened its banking and securities markets more widely to foreigners and "multilateralised" its bilateral insurance deal with the US, which sets a timetable for liberalising its domestic insurance market.
- East Asian countries have made important concessions. All except Malaysia have agreed to respect existing foreign investments of up to 100 per cent, while Malaysia will now allow foreign insurers to hold a majority 51 per cent stake in locally-incorporated companies, up from 49 per cent in 1995.

Frances Williams

OBSERVER

Fast exit from Zurich

■ Has Martin Ebner, Switzerland's best-known corporate predator, over-reached himself? He's in good shape financially, having made a killing on UBS's merger with Swiss Bank Corporation. But he has made waves with his move out of Zurich to escape tax on a large part of his 1997 profits.

Ebner, reckoned to be worth around SFr3bn, lives in Wilen, in the canton of Schwyz, where local taxes are roughly half those in nearby Zurich. His investment funds, which own the UBS shares, are based in Wilen, and some months ago he announced that BZ Bank, which handles his trading, would move there in 1998 to save SFr20m-40m a year in taxes.

But the transfer has been put into overdrive and will be completed early. The official line is that an empty office has come available, but Zurich's more upright gnomes note that the different tax rules of the cantons of Zurich and Schwyz mean that BZ Bank will pay tax on 1996 earnings to Zurich this year and next year will pay tax on its 1998 earnings to Schwyz. Neither canton will get any tax from the current year's profits, probably the best in BZ Bank's history.

Ebner's move may go down well with his 10,000 shareholders but Swiss politicians are now talking about introducing a capital profits tax.

Mercy calling

■ The road to the White House is strewn with unseemly obstacles. Texas governor George Bush, son of the former president and leading contender for the Republican nomination in 2000, is facing one.

He must decide whether to grant clemency to one of the state's Death Row inmates. Not a tough one, you might think: any Bush presidential bid needs the support of right-wing groups who would see clemency as betrayal. Texas has executed 31 people this year – far more than any other state – and support for capital punishment nationally is running at more than 70 per cent.

But the candidate for the lethal injection is pickaxe murderer Karla Faye Tucker, who would be the first woman executed by Texas since the Civil War; and only the second in the US since the death penalty was restored in 1976.

Like his father, Bush is a conservative with an old-fashioned sense of chivalry. Also, Tucker is a born-again Christian, and even some harder-line conservatives are a trifle squeamish about the case.

Bush might be studying the example of his father's nemesis: at a critical phase of his presidential campaign in 1992, Bill Clinton flew back to Arkansas to approve the execution of a lobotomised prisoner with a mental age of 12. Is Bush made of the same stuff?

Love non-story

■ Speaking of presidential hopefuls, a throwaway line in a profile of Al Gore – the man in the wooden mask – briefly sent Washington pundits reeling.

According to Time magazine, the vice president and would-be Democratic candidate for the White House had been schmoozing with reporters on Air Force Two and revealed that the central characters in Love Story, the three-hankie 1970s movie, were based on him and his wife Tipper.

The thought that hunky Ryan O'Neal and doomed girlfriend Ali MacGraw were drawn from the Gores called for urgent reassessment of a man who sometimes appears to have had a personality by-pass. It was faintly plausible – author Erich Segal knew the pair at Harvard – and the Gore camp was in no great hurry to knock down a tale which cast its man in a softer, not to say soppy, new light.

Now Segal's saying that the free-spirited girlfriend wasn't based on Tipper at all. The hero's personality did include something of young Gore: he was always under pressure to follow in his father's footsteps. But the sensitive stud side came from Gore's college roommate, actor Tommy Lee Jones.

As they said in the movie: "Love means never having to say you're sorry."

House style

■ The home of Israel's Prime Minister Benjamin Netanyahu appears to be no less a flashpoint than the country he leads. A fresh *exposé* of first lady Sara Netanyahu's eccentricities in Israel's most popular daily Yediot Ahronot, paints a picture of domestic strife around the premier.

The report depicts Sara hurling her husband's poorly-polished shoes at the domestic help, and bursting in on him during a magazine interview, ranting at him for being late. The report questions the use of state funds for hair appointments, and to support offices for Sara for which there is no obvious purpose.

The prime minister has attacked the whole thing as a smear campaign and has launched the obligatory leak inquiry. In a bid to hit the paper where it hurts, the first family's subscription has been cancelled.

The Financial Times

100 years ago

Poor Future For Petroleum
The motor car is progressing surely if slowly. The man in the street is quite accustomed by now to the sight of an electric cab, and cyclists who have ventured into remote country districts have brought home wonderful tales of motor tricycles. We learn from the Automotor and Horseless Vehicle Journal that the postal authorities have arranged a contract for the regular conveyance of parcel mails between London and Redhill [30km to the south] to commence tomorrow evening. The van to be employed will be on the steam principle. This is a decided snub for electricity, but the power of the future can well afford to smile at the temporary triumph of its old-fashioned rival, knowing full well that before very long it will drive both steam and petroleum off the public highway.

50 years ago

Russia's New Rouble
Russia has announced currency reforms involving the withdrawal of old roubles and the issue of new money, coupled with the abolition of the ration book system, in a decree broadcast by Moscow radio. The exchange of money in circulation will be at the rate of 1 rouble in new money for 10 old roubles.

FINANCIAL TIMES
Monday December 15 1997

Turkey angered by EU conference conditions

By Emma Tucker in Brussels and John Barham in Ankara

The European Union's relations with Turkey ran into fresh difficultiee yesterday after Ankara criticised the EU for attaching "unacceptable conditions" to an invitation to attend a pan-European conference next year.

"The EU's attitude is far from constituting a solid and credible base to develop relations with Turkey," the government said.

Mesut Yilmaz, prime minister, appeared to rule out Turkish participation in the conference of present and future EU members to be held in March.

Following a cabinet session, he said: "Turkey's attendance at the EU conference has been made dependent on the fulfilment of conditions. This invitation does not have any importance for us."

The EU issued its invitation at the end of a two-day meeting in Luxembourg in which it finalised its strategy for admitting up to 12 new members.

It was confirmad that detailed negotiations would start with the Czech Republic, Estonia, Hungary, Poland, Slovenia and Cyprus next April. At the same time preparations for membership will start with Bulgaria, Latvia, Lithuania, Romania and Slovakia.

Heads of state agreed Turkey would be treated by the same criteria ae other would-be members, but considered in a separate category.

A summit communiqué said Turkey would have to meet conditions such as respecting international legal rulings on its territorial disputes with Greece if it wished to take part in next year's European conference. It must ehow a commitment to peace, security, good-neighbourlinees and respect for other countries' sovereignty.

Strengthening links with the EU also depended on Turkey improving its human rights record and supporting negotiations – under the aegis of the United Nations – for a political settlement in Cyprus.

"Europe does not reject Turkey. Wa are not a club of Christians. We are a club with high standards," said Jean-Claude Juncker, the Luxembourg prime minister.

EU officials in Ankara said the Turkish government's tough reaction had been caused partly by the exaggerated expectations of Turkish public opinion and by the complexities of coalition politics.

Mr Yilmaz must juggle the interests of three parties in his coalition and lacks a parliamentary majority.

The summit did not tackle critical questions that must be addressed before enlargement, such as reform of EU finances – in particular the common agricultural policy – and the cohesion and structural funds.

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BT issues deadline to Deutsche Telekom

By Alan Cane in London

Ron Sommer, chief executive of Deutsche Telekom, may face jail this week if the company fails to deliver important trading information to British Telecommunications about its international joint venture, Global One.

BT has given the German phone operator until Thursday to provide details of Global One's trading returns after a ruling by the Düsseldorf High Court last week in a dispute between the companies. Failure to release the information would be construed as criminal contempt of court, for which Deutsche Telekom's most senior executives could be jailed.

Deutsche Telekom was fined DM50,000 ($28,090), the maximum penalty under German law, for having failed to provide the data.

The German company said it would comply with the court ruling this week. But the dispute between BT and Deutsche Telekom indicates clearly the problems operators will face as European telecoms markets are opened to full competition on January 1.

BT, which operates in the only completely liberalised European telecoms market, has taken legal action against Telecom Italia, France Telecom, Belgacom in Belgium and KPN in the Netherlands to fight what it sees as unfair tactics by dominant carriers in markets where it intends to compete.

Last week's action etems from a lawsuit against Deutsche Telekom won by BT and Viag, its German partner.

BT complained that Global One, tha strategic alliance between Deutsche Telekom, France Telecom and Sprint of the US, breached European competition rules because it had started trading before meeting conditions imposed on it by the European Commission.

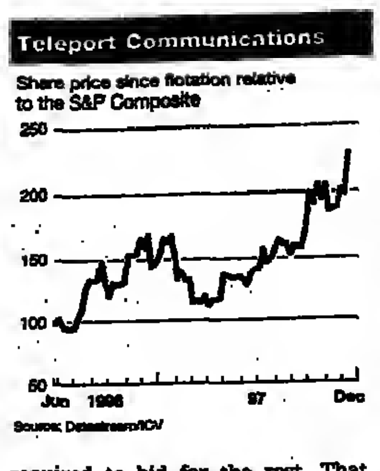
The Düsseldorf court, ruling against Deutsche Telekom, said it was liable for costs and damages based on the loss of trading opportunities suffered by BT and its partners as a consequence of Global Ons's market presence. To calculate these damages, which may be more than $100m, BT is seeking Global Ons's trading returns for the period the joint venture was trading outside the rules.

THE LEX COLUMN

Expensive new line

AT&T is at last showing signs of life. Under new chairman Michael Armstrong, the long-distance operator has started putting non-core businesses up for sale. Now it is negotiating to buy Teleport Communications, a local telephona group, for about $10bn.

Strategically this would make a lot of sense. AT&T's push into the $100bn US local phone market has become hopelessly bogged down. Rather than build its own network, as long-distance rival MCI is doing, AT&T opted to resell capacity leased from the local Baby Bells. As a result it has been stalled by complicated regulation and Baby Bell foot-dragging. Even now, the company can offer local services in only five of the 50 states. Buying Teleport, the biggest of the new breed of independent local operators, with a presence in 57 large cities, would give AT&T a high-quality network at a stroke.



There is a snag, of course. Teleport is focused on business customers, so AT&T would still need to find a way to serveresidential users, particularly as these are the mainstay of its long-distance business and will prove the most vulnerable to poaching once the Baby Bells are allowed into the long-distance market. And for a loss-making company with annual revenues of around $500m this year, Taleport's estimated $10bn price looks hugely expensiva. Eighteen months ago it would have cost about a third of thet. To rescue its local strategy, AT&T probably has little option but to buy Teleport or something like it. But shareholders will pay the price for the previous management's dithering.

Italian governance

Italy is finally taking action to correct its poor corporate governance record. The current system lets cabals seize control of a company with only a minority of the shares, run it for their own purposes and trampla the interests of other investors. Remember the way Mediobanca's allies took power at newly-privatised Banca Commerciale Italiana. This is not simply a matter of fairness. Unless Italy cleans up its act, investors will put their savings elsewhere.

The draft law unveiled last week by the Draghi Commission is a good first step. Not only will minority shareholders have enhanced rights; in future, anybody acquiring 30 per cent of a quoted company will be required to bid for the rest. That said, the proposed legislation could be improved. For example, tha minimum level at which a bid would have to be pitched is to be calculated by an extremely complex formula which will not treat all shareholders equally. The new system of proxy voting also contains a weakness: companies themselves will not have the right to collect proxies, meaning they could be at an unfair disadvantage in a proxy battle.

Moreover, the Draghi Commission has tackled only part of Italy's governance problem. Executives also need to be motivated to pursue shareholder value, through stock options, and held accountable by strong, independent directors. Such goals are better pursued through a code of best practice than legislation. Devising one should be the commission's next task.

German banking

While rival banks in Switzerland, the UK and the US are restructuring vigorously, Germany's banks are mostly stuck in the mud. The latest example of backward thinking comes from the public sector banks. Having lost the intellectual argument over why they should keep their state guarantees, they are resorting to threats against the private sector banks which are arguing for a level playing field.

Unfortunately, the public banks could yet cling to these guarantees – which allow them to borrow money cheaply – because of strong support from the government. Indeed, the government'a submission to the European Commission, which is investigating the matter, is so in favour of these banks thet it could have been written by their lobbyists. One reason why the savings banks, in particular, enjoy so much political support is that they have branch networks in small towns and villages. But so do the German Post Bank and the co-operative banks, which do not receive guarantees. Moreover, the Landesbanks, the other type of public bank, do not even have large branch networks but operate increasingly in international financial markets.

Rather than seeking to protect the public banks, central government should be pushing regional governments to raise cash by privatising them. All banks would then play by the same rules. Privatisation would also make it easier for the public banks to participate in the consolidation which will be needed if Germany's banks are to compete effectively worldwide.

Coats Viyella

Coats Viyella's last two December trading statements produced gloomy but predictable warnings on profits. This week's affair should be much more exciting. Six months into his new job as chief executive, Michael Ost is expected to shed light on his strategic review. With the shares slumping to half the level of early 1996, a headline grabbing announcement about a demerger might well reignite interest. Break-up values would be worked up, no doubt showing totals – for a group with £2.5bn annual sales – well in excess of the current £1.1bn enterprise value.

But how to split the group, and whether this should be the priority, are difficult questions. Look at its portfolio and the least logical element is precision engineering. But it is also the healthiest part and in a sector that Mr Ost knows well. So what about the consumer brands: Jaeger, Viyella and Dorma? Burton attracted a good on-the-day response to its demerger plans. Coats might achieve the same. But if the poorly performing contract clothing business - supplying the likes of Marks and Spencer - went with the brands, the package would be less attractive.

Whatever the potential deals, serious questions remain about Coats. Despite substantial reorganisation costs, profits are disappointing, borrowings rising and dividend cover so thin the payout looks under threat. It is more important for the new management to sort out the underlying performance problems than to come up with a headline grabbing demerger.

Global pact frees markets

Continued from Page I

immediately" and over time would enable Asian nations to attract renewed capital inflows.

Sir Leon Brittan, the European Union trade commissioner, called the deal "a triumph for the multilateral system and good for the world economy".

Renato Rnggiero, WTO director-general, said it culminated a "golden year" for the organisation, following agreements to free trade in information technology products and liberalise telecommunications services.

Reluctant east-Asian nations, beset by financial turmoil at home, wera brought into the pact after they were persuaded that a deal would help in their attampts to restore stability and investor confidence.

The agreement allows countries to taka whatever measures they deem necessary to ensure the integrity of the financial system and high standards of prudential supervision.

Under pressure from the US and Europe, developing countries in Asia and Latin America have made significant concessions to open their markets.

Fiat's chairmanship in doubt as heir dies

By Paul Betts in Milan

Giovanni Alberto Agnelli, nephew of the Italian industrial patriarch Giovanni Agnelli and designated head of the car company Fiat, died on Saturday from a rare stomach cancer. He was 33.

His death raises a question over the succession at Fiat, Italy's biggest private company. Giovanni Alberto was being groomed to take over the chairmanship, currently held by Cesare Romiti.

As Romano Prodi, Italy's prime minister, and other politicians, union representatives and industrialists expressed their grief, Fiat emphasised it was "business as usual".

However, matters have been clearly complicated for the 100-year old automotiva dynasty.

Originally, Umberto Agnelli, Giovanni Alberto's father, was seen as the most likely successor to his elder brother Giovanni, now 76. However, Umberto was opposed by Fiat's other core shareholders, including Mediobanca, the influential Milan bank, and Mr Romiti, formerly Fiat's chief executive.

All the core shareholders including the family, which owns about 30 per cent of Fiat, approved the choice of Giovanni Alberto. The plan was for him to become deputy chairman under an experienced chairman.

Paolo Fresco, vice-president of the US General Electric conglomerate, who joined the Fiat board, was seen by many as a possible future chairman to tutor him.

But Mr Fresco has suggested in recent months he is not interested. Renato Ruggiero, the World Trade Organisation director-genaral with long-standing links with Fiat, has also been seen as a likely candidate, but his WTO mandate runs until 1999.

The succession problem has become urgent because Mr Romiti, 74, is due to retire as chairman in June.

Giovanni Agnelli sought to calm speculation last summer by saying he had a successor in mind. Ha refused to name him except to say he would have "a high profile and wide international experience".

As Fiat wrestles with the succession problem, there is a growing view that Mr Romiti will probably be asked to stay an additional year.

EU faces pressure to delay ban on use of animal parts

Continued from Page 1

a ban and thet trade would be distorted if other countries did not follow suit.

Jack Cunningham, UK agriculture minister, said yesterday that if Brussele dalayed the SRM ban, he would have "no hesitation in taking unilateral action" to prohibit imports of beef thet did not meet UK standards. He would lay orders in parliament to ensure the ban would take effect from January 1.

The Commission songht a delay after failing to persuada EU nations to back exemptions to the ban aimed at easing US concerns and ensuring medicine supplies. Brussels officials hopa the dalay will be approved today or tomorrow at a meeting of farm ministers.

Meanwhile, the US is seeking action on an EU law thet bans the use of tallow, a cattle derivative, in cosmetics. Ray Calamaro, a lawyer representing the US meat-rendering industry, said EU scientists acknowledged the ban was unnecessary but many states had implemented the law and this was affecting US exports.

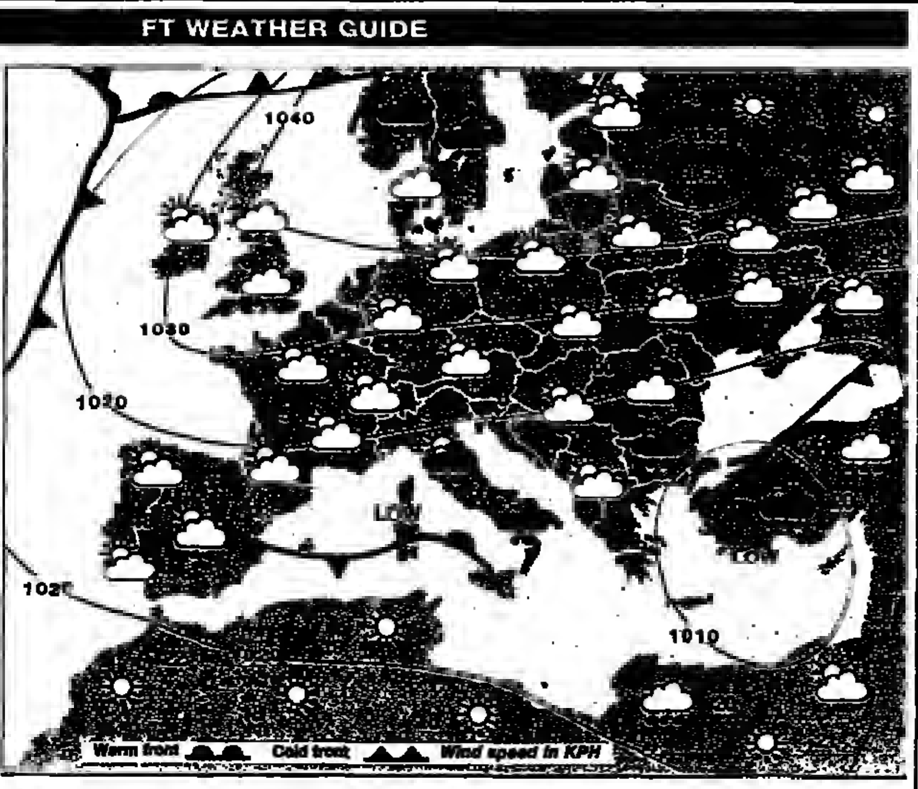
FT WEATHER GUIDE

Europe today

Northern Scandinavia will be mild with brisk winds and rain. Southern Scandinavia and north-east Europe will be mostly fine and settled with some sunshine, but it will be very cold with persistent frost and some patchy freezing fog. Western, central and south-east Europe will be dominated by a bitterly cold easterly airflow. This will bring a good deal of cloud and snow flurries, although western France and tha Iberian peninsula should stay largely dry and bright. The central and eastern Mediterranean will be unsettled and showery, with a flow of cold air as far south as central Italy and northern Greece.

Five-day forecast

Western, central and south-east Europe will be dominated by the very cold easterly airflow until midweek, with light snow. Northern Italy may see some heavier snow tomorrow. Later in the week, it will become somewhat warmer as Atlantic fronts move across Europe, although the east will stay frosty.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

	Maximum	Beijing	Sun 5	Cardiff	Fair 6	Frankfurt	Cloudy 2	Madrid	Fair 10	Rangoon	Cloudy 33
	Celsius	Belfast	Fair 7	Casablanca	Fair 21	Geneva	Snow 2	Majorca	Fair 15	Reykjavik	Rain 11
Abu Dhabi	Fair 24	Belgrade	Sleet 4	Chicago	Sun 8	Gibraltar	Fair 18	Malta	Fair 18	Rio	Thunder 33
Accra	Fair 30	Berlin	Snow -1	Cologne	Cloudy 3	Glasgow	Fair 7	Manchester	Fair 9	Rome	Shower 11
Algiers	Fair 17	Bermuda	Rain 21	Dakar	Sun 31	Hamburg	Cloudy 2	Manila	Fair 31	S. Frsco	Fair 12
Amsterdam	Cloudy 3	Bogota	Cloudy 21	Dallas	Sun 17	Helsinki	Fair -8	Melbourne	Shower 23	Seoul	Sun 7
Athens	Thunder 13	Bombay	Fair 31	Delhi	Fair 19	Hong Kong	Cloudy 22	Mexico City	Sun 14	Singapore	Thunder 32
Atlanta	Sun 11	Brussels	Fair 2	Dubai	Sun 27	Honolulu	Cloudy 27	Miami	Shower 18	Stockholm	Fair -2
B. Aires	Fair 22	Budapest	Sleet 4	Dublin	Shower 7	Istanbul	Rain 13	Milan	Rain 8	Strasbourg	Fair 2
B.ham	Fair 4	C.hagen	Fair 1	Dubrovnik	Fair 12	Jakarta	Thunder 32	Montreal	Fair -9	Sydney	Sun 25
Bangkok	Cloudy 33	Cairo	Sun 22	Edinburgh	Shower 7	Jersey	Cloudy 8	Moscow	Fair -14	Tangier	Fair 19
Barcelona	Fair 13	Caracas	Thunder 30	Faro	Cloudy 18	Johannesburg	Fair 27	Munich	Snow -3	Tel Aviv	Fair 23
						Karachi	Fair 28	Nairobi	Cloudy 24	Tokyo	Fair 12
						Kuwait	Sun 21	Naples	Fair 12	Toronto	Fair 3
						L. Angeles	Fair 20	Nassau	Thunder 24	Vancouver	Rain 6
						Las Palmas	Fair 25	New York	Sun 4	Venice	Fair 9
						Lima	Fair 28	Nice	Shower 12	Vienna	Sleet 1
						Lisbon	Shower 18	Nicosia	Thunder 20	Warsaw	Snow -3
						London	Shower 9	Oslo	Fair -1	Washington	Sun 8
						Lux.bourg	Snow 0	Paris	Cloudy 3	Wellington	Cloudy 20
						Lyon	Cloudy 2	Perth	Fair 35	Winnipeg	Sun 5
						Madeira	Shower 21	Prague	Snow -2	Zurich	Snow 0

FINANCIAL TIMES

COMPANIES & MARKETS

 Monday December 15 1997 Week 51

INSIDE

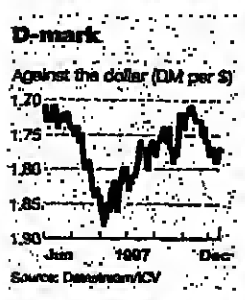
Finnish carrier to challenge SAS

Finnair, the Finnish flag carrier, is planning to challenge the dominance of Scandinavian Airlines System in the Nordic market by developing Stockholm's Arlanda airport as a hub for its international services. "We want to develop Arlanda as our second hub after Helsinki, competing directly with SAS on routes to third countries," said Antti Potila (above), Finnair chief executive. The move reflects intensifying competition among Nordic airlines. Page 19

EMERGING MARKETS
Mexico strongest in Latin America
Thanks largely to its quick recovery from the Asia-related turmoil, Mexico has had the strongest stock market in Latin America. The market's gain of 45 per cent so far this year is double the average in Latin America. Page 24

COMMODITIES
Asian upheavals hit diamond sales
Some dealers suggest there is a crisis in the diamond industry and are waiting impatiently to hear what De Beers has to say about the situation this week. Dealers' hopes that 1997 sales of uncut diamonds might reach a record evaporated with the Asian currency crises. Page 23

CURRENCIES
Focus on the dollar and the yen



The last week before Christmas could be one of the most eventful of the year for foreign exchange markets. With the yen at its lowest against the dollar since 1992, most of the action could involve these currencies. Today, the Bank of Japan publishes its quarterly tankan survey of business sentiment. Even the Japanese authorities now admit that their economy has stagnated, but a particularly gloomy tankan could further dent the yen. Page 23

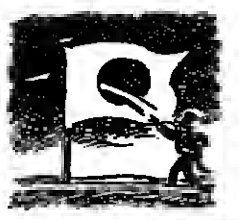
INTERNATIONAL BONDS
Banks tender for Argentine contract
Six international banks have tendered for a contract to offer Argentina advice on debt. The winning bank will advise on which currencies to choose for new bond issues and whether to opt for fixed or floating rates. Page 24

MARKETS THIS WEEK
Frankfurt
The Bundesbank this week will outline its new money supply target for 1998 at its pre-Christmas meeting. If, as expected, European monetary union goes ahead in 1999, the target will be the central bank's last. Page 23

New York
All eyes will be on the Federal Reserve Open Market Committee's meeting in Washington tomorrow. The committee will consider if there is a case for raising US interest rates. Page 23

London
As with New York, the market in London will be looking to the Fed's meeting in Washington. Most analysts expect the Fed to leave interest rates unchanged, in spite of the rapid economic growth of the US. Page 23

FT GUIDE TO THE WEEK – full listings Page 36



OPEN SKIES
Japan and the US will hold their sixth round of sub cabinet-level talks on aviation, starting today, in Tokyo. The US has been pressing Japan to open its aviation market further but Japan has resisted a US call for "open skies".
MANDELA STEPS DOWN FROM ANC
Nelson Mandela steps down as African National Congress president at the ANC's 50th annual conference starting tomorrow.
GENERAL STRIKE IN GREECE
Greek trade unions hold a 24-hour general strike, timed to coincide with a debate in parliament on the 1998 budget.

Companies in this issue

Market Statistics http://www.FT.com

KPMG merger set for approval

Plan expected to win US partners' backing

By Jim Kelly, Accountancy Correspondent

US partners at KPMG and Ernst & Young are this week expected to vote in favour of a global merger at "town hall" meetings across the country as preliminary results from the UK suggest both firms are enjoying strong growth.

Ernst & Young's US partners vote tomorrow and KPMG's between tomorrow and Saturday. A spokesman for the firms said they were confident the merger proposals would win the necessary support and detected no dissent.

While the ballots are said to be "confidential", some meetings will vote on a show of hands. Most partners are likely to follow senior executives' advice and back the merger, creating the world's largest accountancy firm.

It is expected that UK partners and those from other parts of the firms around the world will vote in January and February next year. The firms say they are close to being able to submit formal plans to competition authorities in Brussels. US regulators will also examine the plans.

The only concerns voiced in the US over the merger centre on uncertainty over the impact of the "millennium bomb." The merged firm would have a concentration of clients vulnerable to computer program upset when the year changes to 2000.

In London today KPMG will announce the firstset of preliminary results from a big accountancy firm showing 17 per cent growth in fee income to £726m (£623m) – compared to E&Y's 15 per cent growth to £525m announced in November. Both results are good for the sector.

Mr Colin Sharman, chairman designate of the new super-firm and UK senior partner, said KPMG's global fee income is thought to have risen between 10 per cent and 11 per cent over the year.

He added that taking into account exchange rate differences "underlying growth" was between 14-15 per cent.

KPMG's UK results include £153m from management consulting – up 36 per cent on the same period last year. The merger is seen as a bid to pool investment to take advantage of growth in demand for consulting services from multi-national companies.

The preliminary statement said overall profit per partner had risen 24 per cent to £256,000. It is clear that both KPMG and E&Y will seek to differentiate their merger from that previously announced by Price Waterhouse and Coopers & Lybrand by pointing out what they see as its European focus and leadership.

Sharman said that as well as having a European headquarters in Amsterdam, and a European chairman, the new merged organisation would have an executive committee of 12-14 with only two US representatives. It would champion a European voice in international standard-setting.

However, PW and Coopers suggest the new firm would fall short of their blueprint which envisages all partners having a shared economic interest across borders.

Yamaichi deal agreed by Core Pacific

By John Ridding and Louise Lucas in Hong Kong

Core Pacific, one of Taiwan's largest securities companies, yesterday announced an agreement to buy the Hong Kong operations of Yamaichi, the failed Japanese broker.

In a further move towards a restructuring of Asia's investment banking industry in response to the financial crises that have shaken the region, Peregrine, the Hong Kong-based investment bank, is due to announce a new shareholder this week.

Core Pacific declined to comment on the financial terms of the Yamaichi deal before a final signing of the agreement, which is expected this week. But the proposed acquisition is an important step in resolving the future of Yamaichi's Asian operations.

The accord is also a significant step in Core Pacific's expansion strategy. Last month, the company became the first Taiwanese investment bank to receive a licence to trade and underwrite shares in China.

Under the terms of the deal, Core Pacific would acquire all the shares of Yamaichi International (Hong Kong Ltd) and its subsidiaries. Following Yamaichi's move to file for liquidation in Japan, the Hong Kong operations were declared financially sound and legally separate from Yamaichi Securities (Tokyo).

While Core Pacific is expanding, most regional investment banks are seeking to bolster their financial position. Peregrine is expected to announce a new shareholder as early as today, less than a month after the sale of a 24 per cent holding for $200m to Zurich Group, the Swiss financial services company.

Rival Jardine Fleming is also set to announce up to 20 job cuts.

Peregrine said that it received further inquiries from would-be shareholders following the deal with Zurich Group. On Friday it said that it would seek board approval to issue a further $100m convertible preference shares to "suitably qualified institutions".

Up to four new investors will each subscribe for about $25m worth of convertible shares.

In spite of the succession of capital increases, Peregrine has dismissed speculation that it faces financial difficulties.

Effects of currency upheavals on individual companies have been felt far and wide

Shareholders shiver as cold front sweeps in

The cold wind from Asia that blew through US and European stock markets last week has left shareholders in companies such as Electronics for Imaging shivering.

EFI, a promising young company with a stock market value of more than $2bn, dominates the market for software that links printers and copiers to computer networks. But with news on Friday that orders from its main Japanese customers were drying up as capital spending in Asia weakens, the US company's stock plunged more than 60 per cent.

High-tech outfits such as these may have caught the worst of last week's chill, but its effects were evident on share prices far and wide.

The world's stock markets have seemingly become inured to the shocks that buffet the international financial system – the deepening crisis in South Korea has failed to spark the sort of tremors that reverberated through the markets at the end of October. But the effects of all of this on the fortunes of individual companies are being felt.

The most direct impact from east Asia has been on those companies that have already seen demand for their products or services in the region shrink. But a longer-term impact is likely to be far more significant, and much more difficult for the stock market to evaluate: the repercussions of the competitive devaluation that has taken hold, which will be felt in markets for goods and services far from the epicentre of the Asian currency upheavals.

In terms of weakening demand, the evidence has been growing for some weeks.

As far back as October, ABB, the Swiss-Swedish engineering group, disclosed plans for 10,000 job cuts in an $850m restructuring partly motivated by events in south-east Asia.

> There are signs that the stock market is failing to make the finer distinctions when recoiling from Asia's problems

The most obvious spark to last week's jitters came from Oracle, the US software company, as it reported its latest quarterly earnings.

The east Asian countries that have been at the centre of the financial storm account for only a small portion of exports for many developed nations of the west. Yet the prospect of lower sales there has acted as a reality check for some industries where share prices have already discounted soaring sales in the years ahead.

That has certainly been the case in the high-tech sector – one of the main engines to US growth economic during the 1990s and a powerful engine behind the US bull market.

Companies such as Oracle have become used to seeing their sales in the Asia Pacific region increase at an annual rate of at least 60 per cent, far outstripping the US or Europe.

Turn this engine off and the growth story on which the stock market valuations of many high-tech companies are based looks less solid.

The same effects, although to a lesser degree, have been evident in companies as different as banks – which have made some of their best growth from trading and underwriting securities from the emerging markets – and luxury goods companies. French groups such as LVMH and Christian Dior have seen their shares fall about 40 per cent since June.

Here, as in other industries, there are signs that the stock market is failing to make the finer distinctions when recoiling from Asia's problems.

LVMH, for instance, says investors have failed to distinguish between demand for its products in countries as different as Thailand and Japan. Although 80 per cent of revenues come from Asia, most of this is from Japan, where sales are still growing.

A far broader and more insidious effect on corporate earnings, however, will come from the shift in competitive forces prompted by realignment that has been under way in the currency markets.

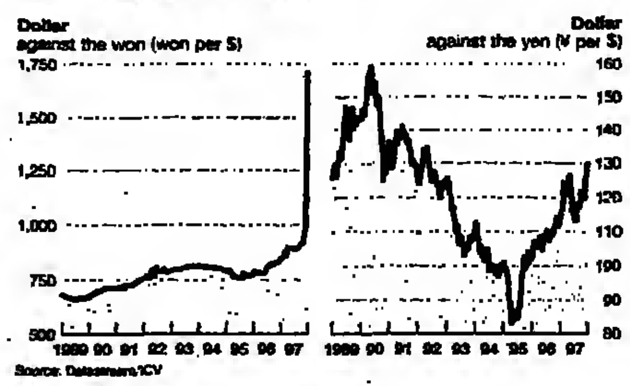
"Competitive devaluation is no longer just a risk – it's happening," says Ed Yardeni, chief economist at Deutsche Morgan Grenfell in New York.

Among the most obvious casualties are companies that make microchips and steel – products for which there is already an abundance of productive capacity and which are produced in South Korea in large volume.

How far and how fast these effects will bite is impossible to gauge, particularly since the currency meltdown is still in full swing. But in the face of such uncertainty, the caution that has crept over the world's stock markets is entirely understandable.

Richard Waters
Louise Kehoe
Stefan Wagstyl

Chill winds from Asia



Source: Datastream/ICV

Merchandise trade between OECD countries and selected Asian countries

Shares in total exports (%)	Destination of exports		Origin of imports	
	NIEs[a]	Other Asia	NIEs[a]	Other Asia
US	8.4	8.0	7.8	14.2
Japan	18.0	18.9	7.1	25.2
Australia, NZ, Korea[b]	10.1	20.2	3.1	10.7
OECD Europe[b]	8.5	14.4	7.0	14.9
Canada and Mexico[b]	1.3	2.1	1.8	7.8
Total OECD[c]	9.7	12.7	6.2	14.9

a) Singapore, Taiwan and Hong Kong, b) Excluding intra-area trade, c) Excludes the intra-area trade within each of the three groups
Source: OECD

Yukos in 'landmark' $1bn deal with western banks

By Chrystia Freeland in Moscow and Robert Corzine in London

Yukos, the Russian oil company, raised $1bn from western banks in the first week of December, in a sign that, even in today's nervous markets, Russia's biggest companies are able to attract substantial foreign credit.

Most of the money, which Yukos used to acquire Eastern Oil, another Russian oil company, was raised from November 28 to December 5 – at one of the most anxious moments on Russia's fragile financial markets this year.

The western financing was arranged by a consortium of foreign investment banks, led by Credit Lyonnais and including Merrill Lynch and Goldman Sachs.

"This was a milestone in our work with foreign financial institutions," said Mikhail Khodarkovsky, head of Menatep, the giant Russian industrial group that owns Yukos and Eastern Oil. "We saw that for a good deal we can raise money very fast."

But some western analysts were more sceptical. They were surprised that foreign banks had financed the acquisition so quickly, arguing that there was little synergy between Eastern Oil and Yukos. They also questioned the ability of Yukos/Menatep managers to restructure even their existing oil holdings.

According to Marc Partridge, head of the oil and gas project finance group at Credit Lyonnais, $800m of the financing was raised as a five-year loan secured by the export contracts of Yukos, one of Russia's largest oil companies.

The loan was finalised on December 5, just a few days before Yukos needed to pay the Russian treasury $800m to acquire a 45 per cent stake in Eastern Oil.

Mr Partridge said that Yukos also received a $200m, one-year loan from Credit Lyonnais, secured on its exports.

"This is a landmark deal," Mr Partridge said. "It is the first medium-term transaction for a Russian oil company."

KLM expected to beat rivals in race to link with Alitalia

By Paul Betts in Milan

KLM Royal Dutch Airlines appears set this week to win the battle to forge a strategic partnership with Alitalia, the Italian flag carrier, against Air France and Swissair.

Barring last-minute upsets, IRI, the Italian state holding company that controls Alitalia, is expected on Wednesday to give the go-ahead for a strategic partnership with the Dutch carrier.

Although Alitalia's independent consultants recommended the link-up with KLM two months ago, the Italian government has faced considerable pressure from France to select the French carrier.

The French government is worried that Air France risks becoming isolated in the consolidation of the European airline industry.

However, the Italian government reiterated last week that the final decision would be left to Alitalia and would be taken on technical grounds.

Swissair also made a last-minute bid last week to stay in the race, but its chances were never considered strong.

Alitalia has never hidden its preference for KLM. If, as expected, the airline receives the necessary green light from its shareholder this week, it plans to start detailed negotiations with a view to launching the partnership next summer.

At this stage, Alitalia and KLM are envisaging a commercial alliance with the possibility of cross-shareholding links later, if the commercial partnership proves successful.

The strategic alliance is central to Alitalia's recovery and restructuring, while KLM has also been seeking a large partner in Europe to expand its reach from its Amsterdam Schiphol hub.

Initially, the commercial partnership is expected to involve ticket code-sharing arrangements, integration of the airlines' frequent-flier programmes and co-operation at airports to reduce costs.

The alliance will also involve Northwest Airlines, the US partner of KLM, with hubs in Detroit and Minneapolis.

COMPANIES AND FINANCE: UK

Coats Viyella to unveil break-up plans

By Alice Rawsthorn

Coats Viyella, the UK's largest textile and clothing group, is expected this week to unveil proposals to break up its interests.

The break-up package for Coats, which owns one of the world's biggest sewing thread manufacturers, as well as the Jaeger and Viyella retail chains, is the result of a comprehensive review conducted by Michael Ost, since he took over as chief executive last May.

Mr Ost, who joined from McKechnie, the plastics and metal components group, was hired by Sir David Alliance, Coats' chairman, with a brief to restructure the group. He told analysts about the strategic review in September when announcing an unexpectedly steep fall in Coats' interim pre-tax profits.

It is understood that Mr Ost completed the review earlier this month and, after presenting his proposals to the Coats board last week, is now finalising details of the package.

One option for Coats is a demerger, which would be likely to involve splitting the thread businesses and Dynacast, a precision engineering company, from its other activities, including Jaeger, Viyella, Dorma home textiles and several of Marks and Spencer's clothing suppliers.

The rationale for such e split would be that thread and Dynacast are global businesses dealing with large industrial customers. By contrast retailing, home textiles and clothing are consumer-orianted companies concentrating on the UK and continental European markets.

The thread companies, some of which were acquired by Coats in its bitter takeover battle for the Tootal textile group in 1991, saw operating profits fall in the first half, and face fierce international competition.

Dynacast, however, has expanded aggressively into new products in recent years.

Coats' clothing interests were adversely affected in the first half by the strong pound and hy disruption following reorganisation.

Its retail chains suffered a decline in interim profits.

See Lex

Cordiant fires starting gun for novices sprint

Alison Smith looks at how the demerged ad group may fare

When Bob Seelert, chief executive of Cordiant, rings the bell on the floor of the New York Stock Exchange this morning he will also be firing the starting pistol for e race between the two groups into which Cordiant is being split.

Today is the first day of trading in shares of the demerged advertising and marketing group. For every two Cordiant shares that investors held at the close on Friday, they will receive one share in advertising group Saatchi & Saatchi, and one in Cordiant Communications Group which is based on Cordiant's Bates Worldwide agency.

Since the deal was announced in April, Cordiant shares have been in the doldrums and closed at 110p on Friday.

The value of the two new companies is likely to be higher than that but may be obscured in initial trading. Investors which have been holding Cordiant as a medium-sized stock, are likely to sell out of the two smaller groups.

But even after any short-term turbulence, it is not clear which of the two groups will be more highly valued.

Media analysts at Panmure Gordon believe thet the intrinsic value of CCG is higher than that of Saatchi, and the ranges that SBC Warburg Dillon Read forecast in the autumn for the two groups suggeeted a slightly higher price for CCG. The group is generally reckoned to have more to gain from the split, and is also seen as the more likely takeover target. At Merrill Lynch, however, the view slightly favours Saatchi & Saatchi.

But whichever of the two groups noses ahead, today's trading draws the final line under the group built up during the 1980s by the Saatchi brothers. The decision of Cordiant as the holding company that its separate elements would do better without it contrasts sharply with the epproach adopted by WPP, the world's largest marketing services group.

Martin Sorrell, WPP chief executive, sees the role of the holding oompany as going beyond that edopted by Interpublic or Omnicom. He says it should add value not just through human resources, property, procurement and information technology, but also through practice development as different subsidiaries are forcefully encouraged to co-operete. Most recently that has been shown in the creation of MindShare from the media operetions of the group's two advertising agencies, Ogilvy & Mather and J Walter Thompson.

While Mr Sorrell calls WPP a "parent company" rather than a holding company, a more vivid image of the group comes from an analyst who describes him as a lion-tamer keeping the creative lions in check.

The role of the holding company in creating economies to belp improve margins is straightforward. There are more questions about how far WPP can foster joint working among its different operations without the individual companies losing their independence.

Even so, WPP and its tame lions offer an alternative model to that presented by Cordiant, and give both the former Cordiant agencies a reminder that whatever the competition between them, they are in more than a two-horse race.

Bob Seelert: ringing bell at stock exchange

Falklands explorer aims for £10m

By Virginia Marsh

Desire Petroleum, the company formed to explore for oil and gas off the Falkland Islands, is planning to come to Aim in February. It hopes to raise £7m-£10m, with up to £3.5m of this coming from existing shareholders whose investments are partly-paid.

Colin Phipps, executive chairman, said extra funds were needed as the company and its partners were preparing to begin drilling.

The Falkland Islands are seen as among the world'e last potentially large, unexplored oil provinces. Exploration was held np hy Argentina's seizure of the islands in 1982.

Desire – named after the vessel thet discovered the islands in the 16th century – was one of the most successful bidders in the first licensing round held last year, securing interests in the equivalent of 30 North Sea blocks.

It has e 25 per cent interest in tranches C and D which are operated hy Lasmo, the UK independent, and has 100 per cent of tranches I and L which are together equivalent to 18 North Sea hlocks.

Amerada Hess, the operator on tranche A, is expected to drill the area'e first well in March or April, followed by Lasmo on tranche C in May or June.

Detailed seismic work has already been done on C and D and Mr Phipps said the results were very encouraging, showing structures similar to those of large North Sea fields.

Analysts expect the company – whose flotation is being arranged hy Société Générale – to raise the funds it needs withont difficulty bnt say any investment would be highly speculative.

"They've got everything to prove. All there is so far is some seismic," said Alan Marshall of Robert Fleming Securities.

Considerable investment in infrastructure would also be needed, given the islands' remoteness. There is also expected to be significant opposition from environmental groups.

Standard Life increases new business by 20%

By Christopher Brown-Humes

Standard Life, Europe's biggest mutual life and pensions company, has opened the industry's new business reporting season on a strong note, by announcing record figures for its latest financial year.

Strong consumer confidence helped the group achieve a 17 per cent rise in total UK new business to £2.3bn. Total worldwide new business was 20 per cent higher at £3.3bn.

The figures for the year to November 15 show the company maintaining a rebound from a low in 1995 – when the whole industry had a dismal year – although business grew less briskly than last year.

Other companies will also announce good figures over the coming weeks, but Standard Life clearly grew faster than the market. It expects to have increased its share of the life and pensions market from 6 to 6.9 per cent, and its share of the independent financial advisers market from 10.6 to 11.7 per cent.

The company said increased consumer confidence on the back of a stronger housing market, lower unemployment and building-society windfalls had helped its performance.

Alan Maxwell, general manager, said: "Customers are feeling more confident about spending money on long-term savings, particularly in the south of England."

He was particularly pleased by the 44 per cent growth in its regular premium business to £272.4m, excluding unit trusts and peps. "This is good-quality business which will repeat year after year."

Lump-sum business rose at a slower 13 per cent to £1.87bn, partly because the company does not sell with-profits bonds, which have enjoyed buoyant sales this year. The company also did well in the individual pensions market, with regular premiums up 69 per cent to £154.6m and single premiums up 38 per cent to £869.4m. Although the pensions mis-selling scandal continues to spawn newspaper headlines, it is not deterring people from planning for their retirement, Mr Maxwell said.

Standard's "effective" UK premium income – an industry measure combining annual premiums with 10 per cent of single premiums – was 459.1m, up 30 per cent from last year.

The group has seen a modest amount of carpetbagging, prompted by hopes that it might demutualise. "We've seen an increase in people taking out £10 e month with-profit policies and we get the odd request for 200 applications in a single batch," said Mr Maxwell, but he stressed the group had no plans to demutualise and those hoping for windfall bonuses would be disappointed.

Liberty faces fresh hostilities

By Robert Wright

The first meeting of the new board at Liberty today is expected to see a renewal of the bostilities et the luxury London department store.

The board will be meeting for the first time with two dissident shareholder representatives, Brian Myerson, a South African investor, and Odile Griffith, financial adviser to the immediate Stewart-Liberty family, as members. The dissidente were elected on Thursday at an extraordinary meeting at which Denis Cassidy, chairman, was removed.

The dissidents are expected to express anger at today's meeting over the appointment of Andrew Garety, finance director and company secretary, as chairman in Mr Cassidy's place.

Mr Myerson, who holds 16.9 per cent of Liberty's shares, and Miss Griffith, whose clients hold 27.1 per cent, could threaten to oppose Mr Garety's appointment as far as another egm. In the run-np to Thursday's egm, the dissidents had said they would appoint an independent chairman in Mr Cassidy's place.

The situation threatens a deedlock between the two sides of the board. The board eppears content to vote down proposals made by the dissidents if it opposes them. The dissidents, however, can call an egm on any point they wish to push through because tbey would be almost certain to win.

Mr Garety was appointed by the remaining four board members after the egm votes were counted but before the dissidents were given a say on the appointment. He said he is keen to avoid further confrontation with the shareholder representatives.

Plans for e £43m redevelopment of the Regent Street store are also likely to be up for discussion at today's meeting. The dissidents have opposed spending such a large sum on the building.

NEWS DIGEST

BICC in £100m cable contracts

BICC, the cables and constructinn group, will today announce two contracts worth e combined £100m ($165m) over the next three years. Its communications division, formed in May to tackle the growing data and telecommunications market in Europe, has eigned the contracts with Cable & Wireless Communications and ESAT Telecom.

BICC will work with CWC, the UK'e largest cable TV operator and second largest telephone provider, to develop and supply optical and metallic cabling for its national telecoms and cable TV networks. BICC has already begun managing a project to train staff of Mercury Communications, the subsidiary of CWC in dense wave division multiplexing, a technology which increases the capacity of existing communication links.

BICC will supply cable to ESAT Telecom, the second-largest telecoms operator in Ireland, which is laying a national network alongside railway tracks and building a local network around the Irish financial services centre in Dublin.

BICC's optical fibres joint venture with Corning of the US, the largest producer of single mode communications fibre in Europe, will manufacture all the optical fibre for the two contracts. The new ventures will extend BICC's existing work with new telecoms companies in the UK, Germany and Italy. *Andrew Edgecliffe-Johnson*

Healthcare real-estate trust

Westminster Healthcare, e big private care provider, is to set up a real estate investment trust to take edvantage of the rapidly growing sale and leaseback market for nursing homes. The move, to be announced today, is part of the radical restructuring of this unprofitable sector, which this weekend also saw Care First, tha UK's biggest nursing home company, appoint a new chief executive to head its defence against a hostile hid by Bupa, the medical insurer.

The planned Westminster trust will be set up as e joint venture with Holiday Retirement Corporation, an American care operator. A big non-UK financial institution is also understood to be involved. Westminster will sell £25m-£30m of its nursing homes to the trust initially, £15m-£20m worth of which it will lease back. Tamaris, e smaller nursing homes operator, will lease 37 other homes, worth about £9m.

As part of the deal, Westminster is taking e stake in Tamaris – the mix of convertible preference shares and ordinary shares, priced et about 2.75p a share, is equivalent to 18 per cent of Tamaris's current share capital.

The cash raised hy the sale will be used by Westminster to diversify into areas such as care for the disabled and private medicine, which are more profitable than the core nursing home business.

Analysts believe the move could trigger e boom in sale and leasebacks within the nursing home sector, which is under considerable financial pressure. "Everyone is taking e step back and saying yon can either be an operator [of homes] or a property player," says Paul Saper of Laing & Buisson, the healthcare analysts. *Jean Eaglesham*

BDB offer to Flextech head

British Digital Broadcasting, the digital television venture seeking to rival British Sky Broadcasting, has offered the post of chief executive to Roger Luard, who heads Flextech, the second-biggest UK pay television company.

Mr Luard, 49, who built Flextech into a £850m media company from its origins as an oil services group, has emerged as BDB's favoured choice for the post after David Chance, BSkyB's former depnty managing director, ruled himself out. BDB, which is due to be launched next October as a terrestrial digital service, may offer the job to an alternative candidate in the New Year if it cannot attract Mr Luard. The company already faces a tight launch schedule. *John Gapper, Media Editor*

■ **MEGGITT** has acquired Elastomeric Silicone Products of Oregon, which supplies polymer-based seals to aircraft manufacturers. The value of the net assets acquired is about $2.2m. ESP will be integrated into Meggitt's aerospace components business unit.

■ **RAZORBACK VEHICLES**, an Australian registered company, is to come to Aim via a placing of 2.68m new ordinary shares at 102p each, raising £2.3m to fund expansion and capitalising the company at £23.1m. Razorback is involved in designing, assembling and selling a conversion for Volkswagen Transporter commercial vehicles.

■ **SMITH AND NEPHEW** is paying £11.8m to acquire the wound care product programme of Perstorp of Sweden. The products concerned account for most of the operations of Perstorp Pharma and generate annual sales of some SKr70m ($9m).

Delay to bid for AGF under fire

By Andrew Jack in Paris

The head of France's self-regulatory stock market authority has criticised the rules that have frozen the FFr55bn ($9.26bn) hostile takeover bid for the insurer AGF by Generali, its Italian rival.

René de La Serre, chairman of the Conseil des Marchés Financiers (CMF) and a director of the bank Crédit Commercial de France, said the period of three months granted to the government to approve takeovers in the insurance sector was "not adapted to the rules of the market".

His comments came as investors continned to wait for Dominique Strauss-Kahn, the economics, finance and industry minister who oversees insurance regulation, to determine whether the Generali bid announced in mid-October is valid.

The delay gave more time to AGF to search for "white knights", and ultimately to unveil an alternative deal in mid-November that would give 51 per cent control of the company to Allianz of Germany. Allianz's offer must also be approved by the government.

Mr Strauss-Kahn bas repeatedly denied that the delay was motivated by political concerns, in the wake of a backlasb in France from the left and right alike towards takeovers by foreign companies. The minister stressed the hold-np was purely technical, reflecting the complexity of the bid.

Without specifically discussing the Generali case, Mr de La Serre said operators in the financial markets had expressed their concern to the government and called for the delays to be shortened in the future.

A number of observers believe the government will give the green light to the Generali bid in the next few days. The subsequent delay before any decision is made on the rival Allianz offer will be closely watched, to see whether similar complications hold up a judgement.

The rules by which the CMF operates mean that Generali's offer cannot open until the government gives its approval. Equally, the CMF is legally not allowed to examine the Allianz bid to see whether it complies with stock market rules.

Generali has the option of increasing its original offer following the Allianz bid, although many believe it is more likely to attempt an arrangement such as acquiring AMB in Germany – in which both AGF and Allianz have stakes. It is also keen to take control of Athéna, a French insurer to he acquired by AGF.

Siam City fails to raise funds

By Ted Bardacke in Bangkok

Siam City Bank, the medium-sized Thai commercial bank, said it had failed to raise Bt3bn ($66.7m) from existing shareholders. The failure could jeopardise a deal that would see ING Bank taking a 10 per cent stake in the Thai institution.

Siam City had planned to raise Bt5.39bn, including Bt3bn from existing shareholders, through a rights issue designed to ensure its stability under a mountain of bad debt. Brokers Jardine Fleming estimates the bank's non-performing loans will peak at 29 per cent of total loans by end-1998.

The bank declined to say how many of the 300m new shares for existing shareholders had been purchased, bnt noted that their Bt10 price was higher than the market price of Bt9.8 on the November 12 subscription date. The shares have since fallen to Bt5.6.

Last month ING Bank agreed in principle to purchase a 10 per cent stake in Siam City. Asahi Bank of Japan and the Asian Development Bank have also been looking at taking a stake in the bank but those deals were likely to have been dependent on Siam City raising sufficient capital from existing shareholders.

Finnair to develop Arlanda

By Tim Burt in Stockholm

Finnair, the Finnish flag carrier, is planning to challenge the dominance of Scandinavian Airlines System in the Nordic market by developing Stockholm's Arlanda airport as a hub for its international services.

The airline, which already serves eight international destinations from Stockholm, is seeking further slots to increase its network from the Swedish capital.

Finnair's ambitions reflect intensifying competition among Nordic airlines, which have seen their market dominance eroded by deregulation of the region'e airline industry and the arrival of low-cost carriers.

"We want to develop Arlanda as our second hub after Helsinki, competing directly with SAS on routes to third countries," said Antti Potila, Finnair chief executive.


Finnair's Antti Potila: challenging the dominance of SAS

In an interview with the Financial Times, he also vowed to challenge SAS's role in the so-called Star Alliance – comprising Lufthansa, United Airlines, Air Canada, Thai Airways and Varig – by forging an alliance with British Airways.

The two carriers have already begun talks on pooling their marketing and frequent flier programmes in northern Europe.

Mr Potila said deregulation had sharply increased Finnair's passenger traffic between Sweden and third countries. Passenger numbers on such flights now equal those carried on its Helsinki-Stockholm route.

"We have won 15 per cent of tbe scheduled international traffic out of Stockholm and we want to increase that further," Mr Potila added.

The expansion etrategy has been drawn up following a financial revival at Finnair, which reported pre-tax profits up from FM233.5m to FM572.2m on increased sales of FMM4bn (FM3.67bn) in the first six months of the year.

As part of the carrier's growth, Mr Potila said it was considering acquiring an additional MD-11 long haul jet, while replacing its ageing McDonnell Douglas short-haul fleet with new Airbus aircraft.

SAS has responded to growing competition hy increasing flight frequencies.

Jan Stenberg, SAS chief executive, has told investors that the airline was also considering opening new routes to Finnish provincial towns to combat the threat from Finnair.

KNP replaces chairman Frank de Wit

By Gordon Cramb in Amsterdam

KNP BT, the Dutch packaging and distribution group, has installed an interim chairman after Frank de Wit left following an apparent boardroom coup.

The move comes less than a month after Mr de Wit, who has led the group only since spring 1996, concluded the Fl 1.5bn ($751m) sale of its paper making division to Sappi of South Africa. Klaas de Kluis, a former vice-chairman and currently a non-executive director, is "temporarily" to take charge.

The snpervisory board said that "in connection with the sale of the paper production activities of KNP Leykam and the resulting substantial alteration of the group structure, a change in the management of KNP BT is required".

The decision was made "in consultation" with Mr de Wit, who would oversee the transfer of Leykam to Sappi and represent KNP BT on Sappi's board.

The deal left the gronp with a 20 per cent stake in Sappi, its main surviving link to a paper making industry which had been its original core bnsiness.

KNP BT shares snbstantially underperformed the Amsterdam market during the term of Mr de Wit, which was marked by confusing signals over strategy.

TRW to form new telecoms division

By Peter Marsh in Cleveland

TRW, the US space and defence company, is setting np a new telecommunications division in an effort to step up its transfer of military technologies to the commercial sector.

The company hopes tts new communications division, which will use technologies initially developed for top secret military satellites, will gain revenues of up to $4bn a year within a decade.

The division, to be formed within a month, will have as its main products a range of hardware aimed at operators of commercial telecommunication satellites and suppliers of ground-based communication equipment.

TRW already sells to makers of mohile telephonc handsets, such as Motorola and Ericsson, nltra-fast semiconductor chips hased on gallium arsenide that it developed for digital processing jobs on defence satellites, such as the Pentagon's Milstar tclecoms spacecraft.

Petcr Hellman, TRW's president and chief operating officer said in an interview that sales of thesc chips for commercial usc should reach $50m next year and $100m in 1999.

TRW could offer its expertise on telecommunication technologies related to satellites either alone or in partnership with existing makers of commercial spacecraft, such as Hughes Aerospace of the US and Matra of France.

Besides its defence and space-related activities, TRW gains annual sales of roughly $7bn a year from automotive components, of which it is the world's fourth biggest supplier, leaving aside operations of the big car companies.

Mr Hellman said one of the company's biggest challenges is to find ways of transferring military related technologies from the company's space division to the automotive sector.

INTERNATIONAL NEWS DIGEST

France Telecom in KPN cable deal

KPN, the Dutch post and telecommunications utility, has sold its domestic interests in cable television to France Telecom following the insistence of The Hague that it cut its involvement in the sector if the unit, Casema, was to be awarded a telephony licence. The company is also talking to potential buyers for its cable operations io France, the UK, Germany, Poland and the Czech Republic.

According to KPN, the Casema deal is wortb Fl 1.7bn ($850.8m), or Fl 1,550 per subscriber. France Telecom, however, put the purchase price at Fl 905m while saying it would invest Fl 700m over 10 years. Rabobank, the large Dutch co-operative institution, is to take a 5 per cent stake. Philips, the electronics group, last week completed the sale of its half share in UPC, another Dutcb cable provider, to United International Holdings, its former partner. That Fl 850m deal, involving 14 countries, was worth an estimated Fl 1,725 a connection.

Gordon Cramb, Amsterdam

■ POLAND

Hyundai in ZSC joint venture

Hyundai, the Korean industrial conglomerate is to invest up to DM220m ($124m) together with Sobieslaw Zasada Centrum (ZSC), a listed Polish carmaker, in local production and assembly of the Korean company's small Atos car.

The joint venture with ZSC, in which the Polish company will have a majority stake, will represent Hyundai locally as it seeks to break into a market which is currently dominated by Daewoo, its Korean arch rival, as well as Fiat and Adam Opel, the GM subsidiary.

Under plans announced by ZSC, tbe venture hopes to be assembling 25,000 Atos cars annually within two years at Starachowice, a ZSC-owned truck plant in central Poland. ZSC assembles vans for Mercedes and has received a government permit to assemble vehicles for Hyundai whicb enables the Korean company to avoid car import duties.

Meanwhile Daewoo, whicb is committed to investments worth over $1bn in Poland's car industry has threatened to limit its involvement if Hyundai is allowed to go ahead with its car assembly plans in Poland.

Christopher Bobinski, Warsaw

■ HONG KONG

CNAC offer 18 subscribed

China National Aviation Company Limited (CNAC) said yesterday its HK$613m (US$79m) Hong Kong initial public offering of shares was 17 times oversubscribed.

The announcement confirmed estimates by lead managers Peregrine Capital Ltd on Friday. Yesterday, CNAC announced in a statement that snbscriptions were 18 times the number of shares initially available.

The company issued 375.92m shares at HK$1.63 per share. Market analysts believe the shares are poised for moderate gains at their debut on Wednesday. CNAC is the Hong Kong arm of China National Aviation Corp, which is controlled by China's regulatory authority for aviation, the Civil Aviation Administration of China.

The company has a 43.29 per cent stake in Hong Kong Dragon Airlines Ltd and owns 40 per cent of Jardine Airport Services Ltd. It also invests in property.

Reuters, Hong Kong

ORDERS OF COURT AND NOTICES OF SCHEME MEETINGS

As set out in the document sent to shareholders of Beatrix Mines Limited, Kloof Gold Mining Company Limited and Oryx Gold Holdings Limited on 15 December 1997

ORDER OF COURT

First Court

Case number 97/033260

IN THE HIGH COURT OF SOUTH AFRICA
(WITWATERSRAND LOCAL DIVISION)

Before the Honourable Mr Justice Schwartzman

In the ex parte application –

Beatrix Mines Limited — Applicant

(Registration number 77/02138/06)
(Incorporated in the Republic of South Africa)

HAVING HEARD Counsel for the Applicant, and having read the application –

IT IS ORDERED THAT –

1. a meeting (the "scheme meeting") in terms of section 311(1) of the Companies Act (Act 61 of 1973), as amended ("the Act"), of the ordinary shareholders of the Applicant registered as such at the close of business on the day (excluding Saturdays, Sundays and public holidays) immediately preceding the date of the scheme meeting (the "scheme members"), be convened by the chairman referred to in paragraph 2 of this Order ("the chairman") who shall fix the date, time and place thereof, for the purpose of considering and, if deemed fit, agreeing to, with or without modification, the scheme of arrangement ("the scheme") proposed by Gold Shelf One Limited (Registration number 97/19961/06) ("Goldco") between the Applicant and its ordinary shareholders registered as such on the record date of the scheme;
2. PHILIP JURGENS BOTHA, a partner in Fluxman Rabinowitz – Raphaely Weiner, attorneys or, failing him, such other independent attorney or advocate nominated by Edward Nathan & Friedland Inc, be and is hereby appointed as chairman of the scheme meeting;
3. this Order of Court and a notice convening the scheme meeting be published by the chairman once in each of the Government Gazette, Business Day, Beeld, The Sunday Times and the London Financial Times, at least 2) (twenty-one) days before the date of the scheme meeting. The said notice shall state –
   - 3.1 that the scheme meeting has been convened in terms of this Order;
   - 3.2 the time and venue of the scheme meeting;
   - 3.3 that the scheme meeting has been convened to consider and, if deemed fit, agree to the scheme with or without modification;
   - 3.4 that a copy of this Order, the scheme and the explanatory statement in terms of section 312(1) of the Act may be inspected during normal working hours at any time prior to the scheme meeting, at the office of the chairman, at the registered office of the Applicant, 6 Hollard Street, Johannesburg, 2001, and at the Applicant's London office, 1–3 Strand, London, WC2N 5HA; and
   - 3.5 that a copy of this Order and the explanatory statement in terms of section 312(1) of the Act may be obtained free of charge on request by any scheme member at the times and places mentioned in paragraph 3.4;
4. copies of –
   - 4.1 the scheme and the explanatory statement in terms of section 312(1) of the Act substantially in the form of Annexure PR2 of the notice of motion under case number 97/033260 (the "notice of motion");
   - 4.2 the notice convening the scheme meeting in the form of the applicable attachment to Annexure PR2 to the notice of motion;
   - 4.3 the proxy form to be used at the scheme meeting in the form of the applicable attachment to Annexure PR2 to the notice of motion; and
   - 4.4 this Order of Court,

   be sent by the Applicant by registered post to least 21 (twenty-one) days before the date of the scheme meeting to each of the shareholders of the Applicant at their addresses as reflected in the Applicant's register of members to the close of business on a date not more than 4 (four) calendar days before the date of such posting;
5. a copy of –
   - 5.1 the scheme and the explanatory statement in terms of section 312(1) of the Act in the form of Annexure PR2 to the notice of motion;
   - 5.2 the notice convening the scheme meeting in the form of the applicable attachment to Annexure PR2 to the notice of motion;
   - 5.3 a proxy form in the form of the applicable attachment to Annexure PR2 to the notice of motion; and
   - 5.4 this Order of Court,

   shall lie for inspection to and be obtained free of charge from the registered office of the Applicant and the Applicant's office in the United Kingdom at the times and places mentioned in paragraph 3.4 for at least 2 (two) weeks prior to the date of the scheme meeting;
6. the chairman of the scheme meeting shall report by way of affidavit the results of the scheme meeting to this Honourable Court on Tuesday, 27 January 1998 at 10:00 or so soon thereafter as Counsel may be heard;
7. the report required by this Honourable Court from the chairman of the scheme meeting shall, to the extent that same is applicable, comply with the requirements of Section FE of the Practice Manual of this Honourable Court;
8. the chairman of the scheme meeting shall make available (and the notice of the scheme meeting which is published and sent to the shareholders of the Applicant shall include a statement that it will be so available) a copy of the chairman's report to this Honourable Court, free of charge to any scheme member on request, from Thursday, 22 January 1998; and
9. any scheme member wishing to vote by proxy should tender a proxy in the form of the applicable attachment to Annexure PR2 to the notice of motion.

By Order of Court

REGISTRAR

EDWARD NATHAN & FRIEDLAND INC
4th Floor, The Forum
2 Maude Street
Sandton, 2196
(PO Box 783347, Sandton, 2146)
Telephone: (011) 269-7600
Fax: (011) 269-7899
DX70, Johannesburg
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c/o 17th Floor, Sanlamsentrum
206/214 Jeppe Street
PO Box 3370
Johannesburg, 2000/2001

ORDER OF COURT

First Court

Case number 97/033258

IN THE HIGH COURT OF SOUTH AFRICA
(WITWATERSRAND LOCAL DIVISION)

Before the Honourable Mr Justice Schwartzman

In the ex parte application –

Kloof Gold Mining Company Limited — Applicant

(Registration number 64/04462/06)
(Incorporated in the Republic of South Africa)

HAVING HEARD Counsel for the Applicant, and having read the application –

IT IS ORDERED THAT –

1. a meeting (the "scheme meeting") in terms of section 311(1) of the Companies Act (Act 61 of 1973), as amended ("the Act"), of the ordinary shareholders of the Applicant registered as such at the close of business on the day (excluding Saturdays, Sundays and public holidays) immediately preceding the date of the scheme meeting (the "scheme members"), be convened by the chairman referred to in paragraph 2 of this Order ("the chairman") who shall fix the date, time and place thereof, for the purpose of considering and, if deemed fit, agreeing to, with or without modification, the scheme of arrangement ("the scheme") proposed by Gold Shelf One Limited (Registration number 97/19961/06) ("Goldco") between the Applicant and its ordinary shareholders registered as such on the record date of the scheme;
2. PHILIP JURGENS BOTHA, a partner in Fluxman Rabinowitz – Raphaely Weiner, attorneys or, failing him, such other independent attorney or advocate nominated by Edward Nathan & Friedland Inc, be and is hereby appointed as chairman of the scheme meeting;
3. this Order of Court and a notice convening the scheme meeting be published by the chairman once in each of the Government Gazette, Business Day, Beeld, The Sunday Times and the London Financial Times, at least 21 (twenty-one) days before the date of the scheme meeting. The said notice shall state –
   - 3.1 that the scheme meeting has been convened in terms of this Order;
   - 3.2 the time and venue of the scheme meeting;
   - 3.3 that the scheme meeting has been convened to consider and, if deemed fit, agree to the scheme with or without modification;
   - 3.4 that a copy of this Order, the scheme and the explanatory statement in terms of section 312(1) of the Act may be inspected during normal working hours at any time prior to the scheme meeting, in the office of the chairman, at the registered office of the Applicant, 75 Fox Street, Johannesburg, 2001 and at the Applicant's London office, Greencoat House, Francis Street, London SW1P 1DH; and
   - 3.5 that a copy of this Order and the explanatory statement in terms of section 312(1) of the Act may be obtained free of charge on request by any scheme member at the times and places mentioned in paragraph 3.4;
4. copies of –
   - 4.1 the scheme and the explanatory statement in terms of section 312(1) of the Act substantially in the form of Annexure JGH2 of the notice of motion under case number 97/033258 (the "notice of motion");
   - 4.2 the notice convening the scheme meeting in the form of the applicable attachment to Annexure JGH2 to the notice of motion;
   - 4.3 the proxy form to be used at the scheme meeting in the form of the applicable attachment to Annexure JGH2 to the notice of motion; and
   - 4.4 this Order of Court,

   be sent by the Applicant by registered post at least 21 (twenty-one) days before the date of the scheme meeting to each of the shareholders of the Applicant at their addresses as reflected in the Applicant's register of members at the close of business on a date not more than 4 (four) calendar days before the date of such posting;
5. a copy of –
   - 5.1 the scheme and the explanatory statement in terms of section 312(1) of the Act in the form of Annexure JGH2 to the notice of motion;
   - 5.2 the notice convening the scheme meeting in the form of the applicable attachment to Annexure JGH2 to the notice of motion;
   - 5.3 a proxy form in the form of the applicable attachment to Annexure JGH2 to the notice of motion; and
   - 5.4 this Order of Court,

   shall lie for inspection to and be obtained free of charge from the registered office of the Applicant and the Applicant's office in the United Kingdom at the times and places mentioned in paragraph 3.4 for at least 2 (two) weeks prior to the date of the scheme meeting;
6. the chairman of the scheme meeting shall report by way of affidavit the results of the scheme meeting to this Honourable Court on Tuesday, 27 January 1998 at 10:00 or so soon thereafter as Counsel may be heard;
7. the report required by this Honourable Court from the chairman of the scheme meeting shall, to the extent that same is applicable, comply with the requirements of Section FE of the Practice Manual of this Honourable Court;
8. the chairman of the scheme meeting shall make available (and the notice of the scheme meeting which is published and sent to the shareholders of the Applicant shall include a statement that it will be so available) a copy of the chairman's report to this Honourable Court, free of charge to any scheme member on request, from Thursday, 22 January 1998; and
9. any scheme member wishing to vote by proxy should tender a proxy in the form of the applicable attachment to Annexure JGH2 to the notice of motion.

By Order of Court

REGISTRAR

EDWARD NATHAN & FRIEDLAND INC
4th Floor, The Forum
2 Maude Street
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DX70, Johannesburg
Ref: K W Joselowitz
c/o 17th Floor, Sanlamsentrum
206/214 Jeppe Street
PO Box 3370
Johannesburg, 2000/2001

Case number 97/033260

IN THE HIGH COURT OF SOUTH AFRICA
(WITWATERSRAND LOCAL DIVISION)

In the ex parte application of

Beatrix Mines Limited — Applicant

(Registration number 77/02138/06)
(Incorporated in the Republic of South Africa)

NOTICE OF SCHEME MEETING

NOTICE IS HEREBY GIVEN THAT, in terms of an Order of Court dated 11 December 1997 in the above matter, the High Court of South Africa (Witwatersrand Local Division) ("the Court") has ordered in accordance with the provisions of section 311 of the Companies Act, 1973, that a meeting ("the scheme meeting") of ordinary shareholders of the Applicant registered as such at the close of business on Monday, 12 January 1998 (the "scheme members") be convened under the chairmanship of Philip Jurgens Botha or, failing him such other independent attorney or advocate nominated by Edward Nathan & Friedland Inc, for the purpose of considering and, if deemed fit, agreeing to, with or without modification, the scheme of arrangement ("the scheme") proposed by Gold Shelf One Limited ("Goldco") between the Applicant and the holders of its issued shares ("scheme shares").

The scheme meeting will be held at 11:00 (or so soon thereafter as the general meeting of New Wits Limited shareholders convened to be held at 10:30 at the same venue and the same date has been concluded or adjourned) on Tuesday, 13 January 1998, at 75 Fox Street, Johannesburg, South Africa.

A copy of the scheme, the explanatory statement in terms of section 312(1) of the Companies Act, 1973, explaining the scheme, the notice convening the scheme meeting, the proxy form and the Order of Court convening the scheme meeting, are contained in the document of which this notice forms part and copies may, on request by any scheme member, during normal working hours be inspected at or obtained free of charge from the registered office of the Applicant, 6 Hollard Street, Johannesburg, 2001, South Africa or at the Applicant's London office, 1–3 Strand, London WC2N 5HA, and at the chairman's office, being 7th Floor, Allianz House, 33 Baker Street, Rosebank, South Africa.

Each scheme member is entitled to attend, speak and to vote at the scheme meeting and is entitled to appoint one or more proxies (who need not be shareholders of the Applicant) to attend, speak and vote in his stead.

The necessary proxy form (blue) is attached to and forms part of this document. Additional proxy forms may be obtained on request from the registered office of the Applicant and its office in the United Kingdom, as set out above.

Each signed proxy form must be lodged with or sent to the transfer secretaries, Gold Fields of South Africa Limited, 75 Fox Street, Johannesburg, 2001, South Africa (PO Box 61595, Marshalltown, 2107, South Africa) or Gold Fields Corporate Services Limited, Greencoat House, Francis Street, London SW1P 1DH to be received by not later than 11:00 on Monday, 12 January 1998 or handed to the chairman of the scheme meeting not later than 10 (ten) minutes before the time for which the scheme meeting is convened.

Where there are joint holders of scheme shares, any one of such persons may vote at the scheme meeting in respect of such shares as if he were the sole holder thereof, but if more than one of such joint holders be present or represented at the scheme meeting, that one of the said joint holders whose name appears first in the Applicant's share register as the joint holder of such shares or his proxy, as the case may be, shall be entitled to vote in respect thereof as if he were the sole holder of such shares.

In terms of the Order of Court dated Thursday, 11 December 1997, the chairman of the scheme meeting will report the results thereof to the above Honourable Court at 10:00 or so soon thereafter as counsel may be heard, on Tuesday, 27 January 1998. A copy of the chairman's report to the Court will be available on request (free of charge) to any scheme member, at the chairman's office, the registered office of the Applicant and at the Applicant's office in the United Kingdom, at the time and place mentioned above from Thursday, 22 January 1998.

The scheme is subject to the fulfilment of certain conditions precedent stated in the scheme, one of such conditions being its sanction by the above Honourable Court.

Philip Jurgens Botha
Chairman of the scheme meeting

Attorneys to the scheme

EDWARD NATHAN & FRIEDLAND INC
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Sandton, 2196
(PO Box 783347, Sandton, 2146)
Telephone: (011) 269-7600
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DX70, Johannesburg
Ref: K W Joselowitz
c/o 17th Floor, Sanlamsentrum
206/214 Jeppe Street
PO Box 3370
Johannesburg, 2000/2001

Case number 97/033258

IN THE HIGH COURT OF SOUTH AFRICA
(WITWATERSRAND LOCAL DIVISION)

In the ex parte application of

Kloof Gold Mining Company Limited — Applicant

(Registration number 64/04462/06)
(Incorporated in the Republic of South Africa)

NOTICE OF SCHEME MEETING

NOTICE IS HEREBY GIVEN THAT, in terms of an Order of Court dated 11 December 1997 in the above matter, the High Court of South Africa (Witwatersrand Local Division) ("the Court") has ordered in accordance with the provisions of section 311 of the Companies Act, 1973, that a meeting ("the scheme meeting") of ordinary shareholders of the Applicant registered as such at the close of business on Monday, 12 January 1998 (the "scheme members") be convened under the chairmanship of Philip Jurgens Botha or, failing him such other independent attorney or advocate nominated by Edward Nathan & Friedland Inc, for the purpose of considering and, if deemed fit, agreeing to, with or without modification, the scheme of arrangement ("the scheme") proposed by Gold Shelf One Limited ("Goldco") between the Applicant and the holders of its issued shares ("scheme shares").

The scheme meeting will be held at 11:45 (or so soon thereafter as the scheme meeting of Beatrix Mines Limited shareholders convened to be held at 11:00 at the same venue and the same date has been concluded or adjourned) on Tuesday, 13 January 1998, at 75 Fox Street, Johannesburg, South Africa.

A copy of the scheme, the explanatory statement in terms of section 312(1) of the Companies Act, 1973, explaining the scheme, the notice convening the scheme meeting, the proxy form and the Order of Court convening the scheme meeting, are contained in the document of which this notice forms part and copies may, on request by any scheme member, during normal working hours be inspected at or obtained free of charge from the registered office of the Applicant, 75 Fox Street, Johannesburg, 2001, South Africa, or at the Applicant's London office, Greencoat House, Francis Street, London SW1P 1DH, and at the chairman's office, being 11th Floor, Allianz House, 33 Baker Street, Rosebank, South Africa.

Each scheme member is entitled to attend, speak and to vote at the scheme meeting and is entitled to appoint one or more proxies (who need not be shareholders of the Applicant) to attend, speak and vote in his stead.

The necessary proxy form (brown) is attached to and forms part of this document. Additional proxy forms may be obtained on request from the registered office of the Applicant and its office in the United Kingdom as set out above.

Each signed proxy form must be lodged with or sent to the transfer secretaries, Gold Fields of South Africa Limited, 75 Fox Street, Johannesburg, 2001, South Africa (PO Box 61595, Marshalltown, 2107, South Africa) or Gold Fields Corporate Services Limited, Greencoat House, Francis Street, London SW1P 1DH, to be received by not later than 11:45 on Monday, 12 January 1998 or handed to the chairman of the scheme meeting not later than 10 (ten) minutes before the time for which the scheme meeting is convened.

Where there are joint holders of scheme shares, any one of such persons may vote at the scheme meeting in respect of such shares as if he were the sole holder thereof, but if more than one of such joint holders be present or represented at the scheme meeting, that one of the said joint holders whose name appears first in the Applicant's share register as the joint holder of such shares or his proxy, as the case may be, shall be entitled to vote in respect thereof as if he were the sole holder of such shares.

In terms of the Order of Court dated Thursday, 11 December 1997, the chairman of the scheme meeting will report the results thereof to the above Honourable Court at 10:00 or so soon thereafter as Counsel may be heard, on Tuesday, 27 January 1998. A copy of the chairman's report to the Court will be available on request (free of charge) to any scheme member, to the chairman's office, the registered office of the Applicant and the Applicant's office to the United Kingdom, in the time and place mentioned above from Thursday, 22 January 1998.

The scheme is subject to the fulfilment of certain conditions precedent stated in the scheme, one of such conditions being its sanction by the above Honourable Court.

Philip Jurgens Botha
Chairman of the scheme meeting

Attorneys to the scheme

EDWARD NATHAN & FRIEDLAND INC
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COMPANIES AND FINANCE

Christie's meets on SBC bid

By Robert Wright

The board of Christie's International, the auctioneers, met yesterday to decide whether to pursue talks with SBC Warburg Dillon Read, the merchant bank, on a potential takeover offer of more than £500m ($826m) from the bank.

The board was not expected to produce an early decision on the offer, which would see Christie's become a private company owned by wealthy individual investors.

Christie's announced on Wednesday it had reopened discussions with a bidder, which it did not name. The talks had been reopened following an improved offer with a view to making a recommended offer to shareholders.

It became clear yesterday that SBC Warburg Dillon Read, a subsidiary of Swiss Bank Corporation, had made the approach with a view to taking Christie's private.

Christie's is currently quoted in London, while Sotheby's, its main rival, is quoted in New York. The bank would recruit wealthy private investors to buy shares in the auctioneer in a scheme devised by Brian Keelan, one of the bank's senior corporate financiers.

Christie's: considering a bid for itself

Joe Lewis, the Bahamas-based businessman who owns 29.31 per cent of Christie's International, does not appear to be directly involved in the scheme. However, he appears to have been kept informed and is expected to become one of the largest shareholders in the private entity.

SBC Warburg would retain a stake in the private company and would market the auctioneer's services to its private banking clients.

The figure of more than £500m quoted for the bid would be in line with Christie's £531m market capitalisation at Friday's closing share price of 300p but a big premium to its £407m capitalisation two weeks ago, before bid speculation sent the shares higher.

Christie's share price, which has fallen as low as 218p this year, had been hit by fears that market turmoil in south-east Asia could have hit the wealthy buyers on whom auctions rely.

Auctioneers generally have also been hit by the increasing risks of running high-quality auctions. Executors of wills now frequently ask auction houses to compete in underwriting large sales, leaving the houses potentially exposed to heavy losses.

SBC Warburg's involvement might give Christie's greater financial muscle in underwriting sales. A wealthy ownership syndicate would also be more ready to take the risks involved in underwriting than the board of a public company.

Christie's made pre-tax profits of £33.9m on turnover of £227m in 1996. It made £19m pre-tax on sales of £123m in the half-year to June 30. The $206m sale of the art collection of Victor and Sally Ganz in New York is expected to be one factor in giving Christie's sales of £1.2bn this year, ahead of Sotheby's.

Nippon Steel move in Brazil

By Michiyo Nakamoto in Tokyo

Nippon Steel, Japan's largest steelmaker, and Usiminas, the Brazilian steelmaker in which Nippon Steel has held a minority stake since its foundation in 1962, are to set up a joint venture in Brazil to produce steel for vehicle bodies.

The new joint venture company, to be capitalised at $60m, will be 60 per cent owned by Usiminas and 40 per cent by Nippon Steel. A production line will be established alongside an existing Usiminas facility in Ipatinga, 300 km north of Rio de Janeiro, with capacity to produce 400,000 tonnes of hot-dip coated steel sheets a year, beginning in late 1999.

The deal, which involves total investment of $200m, is aimed at supplying a growing number of vehicle makers in South America, particularly Brazil, with high-grade steel products. The companies said they would also aim to supply Japanese makers of household electrical goods operating in the country.

The investment in Brazil comes at a difficult time for Nippon Steel. Demand at home has weakened and is expected to deteriorate further as the Japanese economy slows down amid growing uncertainty after a series of financial failures.

The Japanese vehicle industry, faced with a sharp fall in domestic demand, is likely to adjust production, public works spending is set to decline and tha uncertainty affecting consumer spending is expected to affect housing starts.

Meanwhile, Nippon Steel has also been adversely affected by the downturn in Asian markets in the midst of the Asian currency crises.

As a result of those factors, analysts expect inventory adjustments to last for some time. The steel sector has seen share prices fall sharply this year on concerns of the impact of a further slowdown in Japan.

Nippon Steel's shares have more than halved from Y392 on May 7 to Y191 at Friday's close.

Robert Fleming is favourite to buy UCB

By Jonathan Ford

Robert Fleming has emerged as the leading contender to buy a controlling stake in Russia's fifth largest stockbroker as it seeks to diversify away from its traditional focus on Asian emerging markets.

The UK investment bank is in talks to buy United City Bank, a Moscow brokerage founded two years ago, from its 51 per cent shareholder, London-based emerging market specialist MC-BBL.

A number of banks are understood to have been looking at UCB since it was put up for sale last month, including two other leading contenders – UBS of Switzerland and US investment bank Merrill Lynch.

Fleming declined to comment but the deal, which would be completed early next year, would represent a big step for the bank in building up its eastern European investment banking operations.

Fleming has fewer than 100 employees in the region, mostly in Poland and Hungary, although it has been building a presence in Russia since last year. This compares with about 100 staff in Latin America, about 250 in South Africa and some 3,900 at Jardine Fleming in Asia.

The need to diversify away from dependence on Asia has intensified over the last two years as the region's equity markets have sagged. Jardine Fleming's contribution to group profits has declined from around a third two years ago to just 16 per cent in the first half of 1997.

In Russia, Fleming has established offices in Moscow, Yekaterinburg and Chelyabinsk, and has also recently entered into a joint venture with a local bank, Guta, to market mutual funds to Russian savers.

UCB was set up two years ago and has grown to be the fifth largest Russian broker, measured in terms of volumes traded through the RTS trading system. By this measure, it is larger than Brunswick, the broker with which Warburg agreed a joint venture in July.

It was put up for sale after ING of the Netherlands announced a takeover bid for MC-BBL's 51 per cent parent, Banque Bruxelles Lambert, last month.

Through its ING Barings unit, ING already has a substantial broking presence in Russia. UCB employs about 100 people in Moscow, including highly regarded market strategist, Christopher Granville. It has assets of around $20m and is profitable according to MC-BBL.

However, UCB is up for sale at a difficult time for the Russian market. After rising by 195 per cent in the first nine months of the year, the RTS index was badly hit by the global shake-out at the end of October. From its peak of 571.66 on October 6, the index has since fallen by more than 35 per cent.

Coelba consortium wins bid for stake in Cosern

By Jonathan Wheatley in São Paulo

A consortium led by Coelba, a Brazilian electricity utility controlled by Iberdrola of Spain, paid R$576.4m (US$606m) for a 78 per cent stake in Cosern, the distributor owned by the state of Rio Grande do Norte in north eastern Brazil.

The winning bid represents a premium of 73.6 per cent to the minimum price and is a further demonstration of the strong interest among local and foreign investors in the fast-moving privatisation of Brazil's electricity industry. It beat rival bids from consortia including Houston Power and CMS, both of the US, which offered R$413.4m and R$411.1m, respectivaly.

"The bid was high if you compare it with the others, but the fact that they were low is more a reflection of the global shortage of funds than of Cosern's value," said Gustavo Gattass of Icatu, a Rio de Janeiro investment bank. "The price paid was a fair one. Rio Grande do Norte is a very interesting state with lots of industrial growth ahead."

The state is one of several in the region that have attracted industrial investment away from southern Brazil, due to a combination of fiscal incentives, cheap labour and a growing local market.

Mr Gattass said some companies had delayed announcing investments in the state because of a shortage of electricity. This would be rectified in part by the construction of two supply lines bringing power from outside the state, coming on stream in 1998 and 1999. Cosern also plans to build a natural gas-fired power station.

Cosern brings the number of electricity utilities sold this year to eight, generating receipts of R$7.63bn. Analysts expect total revenues from electricity privatisation to reach $45bn by the end of the decade.

In addition to Iberdrola, foreign utilities active in Brazilian electricity include Chilectra of Chile, Endesa of Spain, Electricité de France, Houston Power, CMS Energy and AES of the US.

In a separate development, Eduardo Azeredo, governor of Minas Gerais, said the state would not, after all, privatise its electricity company, Cemig. The state sold 32.9 per cent of Cemig's voting stock in April to Southern Electric of the US for R$1.13bn, and had been expected to complete privatisation next year. The decision was based on Cemig's importance as an agent of social development, Mr Azeredo said.

Fidelity to invest more in Japan

By Gillian Tett in Tokyo

Fidelity, the world's largest mutual fund investor, expects Japan to become its biggest global market outside the US in the future.

In particular, the country's planned Big Bang deregulation could leave the company managing funds in Japan of between $50bn and $100bn in the next decade, predicted Roger Servison, managing director of Fidelity's worldwide operations.

"At present we have about $40bn under management in Europe, which is our biggest non-US market, but we think it will be bigger in Japan in the future," he said.

Fidelity's move comes amid growing expectations that the financial turmoil in Japan will prompt a shift in its savings pattern towards new types of investment, such as the mutual funds that many foreign groups want to introduce.

The comments coma as Fidelity, which manages $600bn worldwide, is preparing a "multi-million" dollar investment in Japan, as part of an aggressive attempt to build a US-style mutual fund business in the country.

Last week the company bought a large plot of land in the Tochigi area of Japan, which will be used as the future site of operations. It is also rapidly expanding its workforce, currently some 130. It has also recently started pilot schemes to sell mutual funds through the country's banks, which will soon be permitted to sell these funds after Big Bang.

The moves by Fidelity are a striking indication of the growing faith major foreign companies have in Japan's Big Bang deregulation plans.

Fidelity's moves are likely to attract particular attention because it has hitherto not made any serious attempt to penetrate the Japanese market on a large scale, in spite of its size.

In contrast to other US and European companies, for example, Fidelity has not established any alliances with Japanese partners, and its Japanese fund management operations – currently some $2bn – are smaller than some rivals.

However, Mr Servison argues Fidelity's new stance reflects his conviction that Japan will soon see the type of mutual fund boom that occurred in the US in recent decades.

"We are expecting to invest many millions of dollars ... we think this is probably bigger than anyone else," he argued. "It will be several years before we realise the profits that we are investing."

One reason for this, he said, was the looming Big Bang deregulation and Japan's ageing population. Another is Fidelity's belief that the market cycle in Japan is finally turning. "Our view is that we are pretty near the bottom of the market in Japan," he says.

However, the recent financial scandals and collapses in Japan could accelerate a shift in the country's estimated Y1,200,000bn ($9,209bn) pool of savings, he added. "The events of the last few months have made it easier for foreign groups to enter the market because there is nervousness about local institutions."

In the last few weeks Fidelity's own high-yield bond fund in Japan had almost trebled to $165m, apparently as a result of this shift, he added.

Nevertheless, Mr Servison admitted that sustaining this sudden surge might not be easy. "There is a risk that expectations of the Japanese are too high ... they are expecting miracles from these foreign firms."

FINANCIAL TIMES
MARKETS
THIS WEEK

Global investor/ Peter Martin

Bordering on a superleague

Fed up with worrying about Asia? Relax: today's column is an Asia-free zone. Instead, it addresses a hard-to-formulate but central issue: how investors should view multinational companies in an era of genuinely open borders.

Let's start with a paradox. Conglomerates have recently fallen into disfavour on the grounds that they provide a form of inefficient diversification. By acquiring and managing subsidiaries in a wide range of businesses, conglomerate managers are expensively duplicating the portfolio diversification that investors can cheaply and quickly obtain for themselves.

This has become conventional wisdom. Yet the same arguments could be applied to multinational companies. In a world of easy access to foreign equity markets, surely investors could diversify their global exposure more efficiently through portfolio investment than by relying on cumbersome managerial bureaucracies to achieve the same end? This view has *not* become conventional wisdom: indeed, global companies are the vogue. Is there something inherently different about geographical diversification and business diversification?

There are a number of reasons why that might be so, to be explored in a moment. But the question of why investors dislike horizontally diversified companies but welcome internationally diversified ones none the less sheds a revealing light on the nature of the global investment decision.

First, the reasons why diversifying by geography is different from diversifying by business. There may be economies of scale – or at least of expertise – in the former case which do not apply in the latter. Deep knowledge of technology, product markets and distribution may be transferable across national borders, in a way which confers competitive advantage on the company concerned. Although conglomerate managers like ITT's Harold Geneen used to argue thet managerial knowledge could usefully be transferred between unrelated businesses, it is generally believed that the potential advantage is outweighed by the costs of co-ordination.

The only exception is in very difficult political and economic environments, where access to scarce managerial resources or to political favours may be valuable across a range of businesses.

A second reason why investors may be willing to pay company managements to do their geographical diversification for them is that it is cheaper than doing it themselves. Cross-border investment is still much more expensive than domestic investment, because of the information costs of understanding and dealing in foreign financial markets. Still, those costs are coming down all the time.

You would expect to find, therefore, that those investors most confident of their ability to operate internationally would be reluctant to bear the cost of international diversification by companies that cannot claim strong cross-border economies of scale or expertise. This perhaps explains the apparent mistrust by UK institutional investors – long used to buying foreign shares – of global expansion plans by mid- or low-tech British companies. It is not just a case of cynicism or short-termism by the City, but also a feeling that if the investors wanted to be exposed to, say, building products in Germany they could do it more cheaply themselves.

That feeling may be increasingly obsolete. Companies are determined to expand across borders, whether their shareholders like the idea or not. Investors will thus have to learn to live with a world in which the geographical diversification decision has been made for them, at least as far as blue-chip companies are concerned. It is not fanciful to imagine a situation, a decade or so hence, in which *all* major companies' geographical exposure is identical – in proportion to world GNP, or at least the pattern of demand in individual industries.

Under those circumstances, investors will be able to obtain industrial diversification among blue-chip global companies, but will have to turn to second-tier companies if they wish to manage their own geographical exposure.

That is perhaps an overly schematic view of the future. In practice, blue-chip companies will continue to offer differences in exposure, in two ways. Their plants will be unevenly spread around the world – because of history, the long drawn-out nature of capital investment decisions, and so on – creating different cost exposures. And even if companies' revenues are spread around the world in proportion to global GNP, their profits will not be: they are likely to continue to enjoy better margins in the markets in which they have been established longest, and enjoy dominant positions.

None the less, investors will increasingly have to understand the true geographical exposure of the blue-chip companies in their portfolios, rather than simply rely on country of origin as a proxy. And, if they wish to continue to control the geographical exposure of their portfolios themselves, they will have to think seriously about domestically oriented second-tier companies. These are, of course, precisely the sort of stocks that have been neglected in the vogue for the global superleague on the one hand, and for small growth companies on the other.

Email: peter.martin@FT.com

Total return in local currency to 11/12/97

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.11	0.01	0.07	0.07	0.12	0.14
Month	0.47	0.04	0.29	0.29	0.57	0.63
12 months	5.75	0.59	3.31	3.56	6.70	6.90
Bonds 3-5 year						
Week	0.19	-0.09	0.35	0.37	0.23	0.55
Month	0.72	0.20	1.17	1.04	1.87	1.31
12 months	7.55	3.65	4.77	4.22	12.16	9.03
Bonds 7-10 year						
Week	0.26	-0.15	0.58	0.54	0.43	1.06
Month	0.88	0.25	2.70	2.32	4.37	2.23
12 months	9.41	8.42	11.07	8.95	21.94	14.51
Equities						
Week	-1.9	-0.8	-2.3	-2.4	-1.6	-0.7
Month	3.8	0.3	7.6	8.8	8.0	5.0
12 months	31.3	-17.0	36.8	31.1	59.8	28.2

Source: Cash & Bonds - Lehman Brothers. Equities - FT/Extel Index Unit. The FT/S&P Actuaries World Indices are jointly owned by FT-SE International Limited, Goldman Sachs & Co. and Standard & Poor's.

COMPANY RESULTS DUE

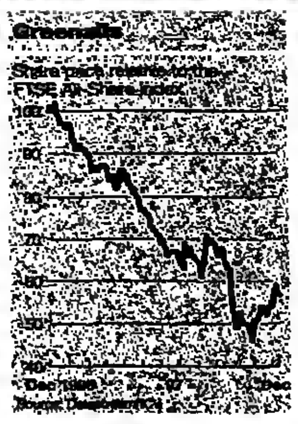
Greenalls set for increase to £157m

Greenalls is expected to report annual profits up from £117m to about £157m ($259m). Forecasts were cut from £167m in September after the group warned of a second-half setback in the managed pubs and restaurants division. It blamed delays in introducing new pub formats and dull trading in its north-west heartland. One analyst said the management had been overly distracted by events in the last few years of rapid expansion and had taken its eye off the most important decisions. Questions are expected next week on strategy and possible management changes.

■ First Choice, the UK's third largest tour operator after Thomson and Airtours, is expected to double underlying pre-tax profits from £9.3m to £20m ($33m) when it reports full-year results to the end of October tomorrow. The headline figure will include an exceptional £8.6m accounting error loss, disclosed at the interims.

The improved profits come in a bumper year for the holiday industry as a result of tight capacity, favourable economic conditions and strong demand – last week Airtours reported a 39 per cent lift in pre-tax profits.

■ Asda will have to deal with questions over the failed merger with Safeway when it reports interim profits on Thursday. However, the supermarket group will instead focus on its strong sales growth, expected to be about 7 per cent on a comparable basis. Pre-tax profits are forecast to pitch in at about £177m-£180m ($297m).



■ MFI is expected to report interim profits of about £36m ($59m) today. The group will be expected to give further details on its conversion programme, where warehouse costs caused some concern at the year-end. The core business, however, is likely to show sales growth of between 7 and 9 per cent.

The shares have underperformed the market badly this year, and John Richards at NatWest Markets has told clients this "reflects the company's historic failure to deliver coupled with macro-economic fears". However, he thinks this is "at odds with the sales re-acceleration and the new-found determination" at the company.

■ Eurotherm is due to report full-year results on Wednesday and NatWest Markets expects the electronic equipment maker to have held up against the pressure of the strong pound. However, Andrew Bryant at the broker believes the shares may look attractive since competitive pressures are easing and new products are coming to market. But he has also told clients: "The risks remain high given sustained levels of sterling". He expects operating profits of £28m ($46m) a 22 per cent fall on the previous £35.9m, on sales down 5 per cent to £197m.

■ Annual figures from Securicor tomorrow are likely to be complicated by a number of exceptionals. Analysts reckon thet exceptional charges of more than £60m ($99m) could depress pre-tax profits to £35m (£107m). Some of the charges concern a provision taken for a troubled software project to upgrade Cellnet's billing system. Securicor holds 40 per cent of Cellnet, the mobile phone company, with British Telecommunications holding the rest.

INTERNATIONAL EQUITIES

Block trades captivate Europe

Last week's block trade of just under 14.8m shares of ING Groep, the Dutch financial services company, turned the spotlight back on bought deals at the end of a particularly busy year for this type of transaction.

The $640m (£388m) transaction saw Morgan Stanley Dean Witter buy the shares from Crédit Communal de Belgique and Banque Internationale à Luxembourg – which the sellers were due in exchange for a combined stake in Banque Bruxelles Lambert, which is merging with ING – and sell them on to European iostitutional investors.

The ING deal was executed on Monday, the day Swiss Bank Corporation and Union Bank of Switzerland announced their merger. Sharply higher activity in banking stocks in the wake of that announcement persuaded the sellers to go ahead with the transaction.

The ING trade was one of several high-profile bought deals this year, including the $2bn sale of a 3 per cent stake in British Petroleum by the Kuwait Investment Office and the $800m sale of a stake in Guinness by LVMH, both executed by Goldman Sachs; and the $750m eale of Volvo's remaining stake in Renault, through UBS.

According to figures from IFR, which compiles data on equity transactions, Goldman tops the league table – by some margin – in European block trades this year, largely thanks to the BP and Guinness deals, with Morgan Stanley second. While a big portion of BP was sold to the US, the rankings are nevertheless testament to the distribution capacity of both houses when it comes to selling Enropean shares to European investors, who were big buyers in all cases.

"You need to have a very strong distribution capacity in all markets," says Franck Petitgas, managing director at Morgan Stanley. The bank also did big block trades in Volvo and ABB this year.

Block trades are popular in rising equity markets, and 1997 certainly provided the right backdrop for a flood of issues. They offer the seller speed of transaction and a certain price for its stake. The discount to the market price can vary widely: the ING stake was sold at a 1.7 per cent discount and BP at 3.5 per cent, though for more modest deals it is often as low as 1 per cent.

But subsequent share price performance can be volatile, as happened to Union Miniere after a BFr20.6bn (£340m) block trade in the Belgian metals group in July, even though it was offered at a discount of nearly 10 per cent and beavily marketed. Merrill Lynch, Generale Bank and KB Securities are rumoured to have taken big losses on that transaction after sellers rushed to take profits in the aftermath of the placing.

Because of the importance of buoyant equity markets for block trades, bankers say the current volatility could slow the pace of issues next year. "People are a lot less comfortable about block trades in markets like this," says Andrew Moffat, director of equity capital markets at Lehman Brothers.

With governments having largely sold off rump stakes from privatised companies, European companies selling off unwanted cross-shareholdings will be the main source of those deals that materialise. Bankers say the accelerating pace of cross-border merger and acquisitions activity should guarantee business. All that is needed is kind equity markets.

"Markets will be more volatile and trickier, and a lot of the deals were done this year, but there are still a few out there," says Mr Petitgas.

MARKETS: This Week

NEW YORK By Richard Tomkins

The Federal Open Market Committee meets in Washington tomorrow to consider whether there is a case for tightening US monetary policy. In normal circumstances, this would be the focus of the financial markets' attention this week, with tight labour markets and rising wages suggesting that the Fed might indeed choose to push up interest rates.

However, amid the uncertainties caused by Asia's economic turmoil, there is near-unanimity among economists that the Fed will leave rates on hold. Instead, market action will continue to be dominated by unfolding events in Asia, and their consequences.

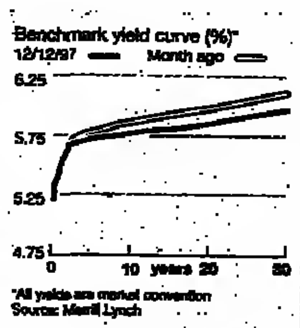
Last week a sharp rise in bond prices pushed the yield on the benchmark 30-year decisively below the 6 per cent mark for the first time in nearly two years as investors sought a safe retreat from volatile stock markets world-wide.

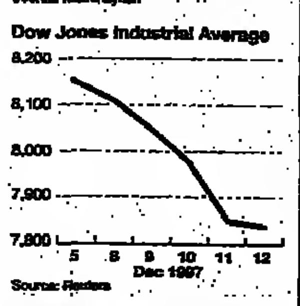
Any further worsening of the Asian crisis could reinforce hopes that the US economy will slow next year without a rise in inflation or the need for higher interest rates, so driving bond prices higher still.

Equities, however, seem likely to be weighed down by growing concern that US companies' earnings will be hit by Asian currency devaluation and the region's economic troubles.

Last week brought a flurry of Asia-related profit warnings from big US companies, and investors will be watching anxiously for further signs of damage.

Investors will this week be scrutinising the Commerce Department's report on international trade activity, due on Thursday, to see how far the Asian turmoil is affecting the US trade sector.





LONDON By Philip Coggan

The big event of the week for UK investors will undoubtedly be tomorrow's meeting of the Federal Reserve Open Market Committee. Most analysts seem to expect the Fed to leave interest rates unchanged, in spite of the rapid economic growth of the US, because of the Asian crisis. A rate rise, therefore, would come as a nasty surprise for stock markets.

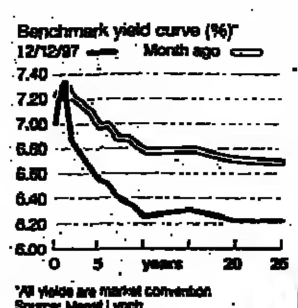
With the markets winding down ahead of Christmas, the other danger area is Asia, where Korea has elections this week. If opposition candidates are successful, they may seek to renegotiate the terms of the bail-out package, causing a further blow to confidence round the world.

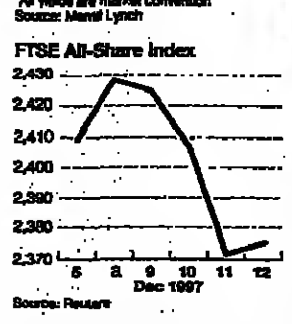
Apart from the risk of a financial melt-down in Asia, investors are worried about tha UK's loss of competitiveness relative to Asian exporters and of lost sales in the region; the Centre for Economic and Business Research predicts that UK growth will slow to 1.9 per cent in 1998.

Domestically, the markets will be watching economic data that may indicate whether UK interest rates have peaked. Wednesday sees figures on unemployment, average earnings and retail sales.

The average earnings numbers, which dipped to a 4.25 per cent underlying annual rise last time, are expected to return to 4.5 per cent; meanwhile, retail sales are expected to have fallen by 0.3 per cent in November, after October's 2.6 per cent month-on-month increase.

Despite some recent weak economic figures, the short sterling futures markets still seem to expect that the Bank of England's monetary policy committee will raise UK rates in the new year.





FRANKFURT By Graham Bowley

The Bundesbank will this week outline its new money supply target for 1998 at its pre-Christmas meeting, its last this year. If, as expected, European monetary union goes ahead in 1999, the target will be the central bank's last.

Holger Fahrinkrug of UBS thinks the Bundesbank is likely to use the occasion to underline its recommendations about the importance of monetary targeting for the future European central bank.

Last year, the Bundesbank set a target for both 1997 and 1998 of 5 per cent growth in M3, the broad monetary aggregate that covers cash and short-term deposits. But UBS thinks the target for 1998 will be set at a slightly lower rate than this year.

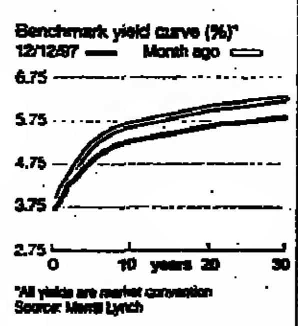
The Bundesbank has indicated recently that it is satisfied with current monetary conditions and is not expected to change interest rates at its meeting, which is on Thursday.

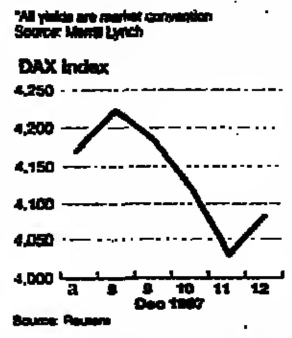
Economic data over the coming months are expected to show a strengthening of the domestic economy as it begins to catch up with the more robust export sector. Of the data due this week, money supply figures are forecast to show a slight acceleration in M3 growth in November.

The Ifo index of business sentiment, due tomorrow, is expected to have strengthened last month after weakening in October. However, analysts at J.P. Morgan expect the rebound to be modest.

The stock market finished on a positive note last week after some heavy falls inspired largely by declines in Asian share markets.

On Friday, the DAX index of 30 blue-chips ended floor trading up 52.44 points, or 1.3 per cent higher at 4,082.60.





TOKYO By Gillian Tett

Japan's markets will be on tenterhooks this week awaiting the announcement of the government's long-awaited measures to support the economy and the financial sector.

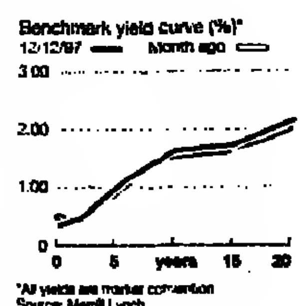
In recent weeks, the market has been highly volatile, responding to each hint that the government may or may not be planning new measures. At the start of last week the market surged on indications that the ruling Liberal Democrat party was planning to issue Y10,000bn of bonds to help the financial sector.

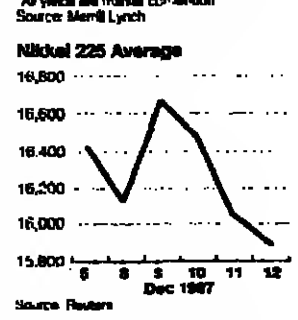
However, it fell back after participants began to doubt whether the scheme would be as bold as they had hoped. Details are due tomorrow, together with tax plans and other measures to boost the economy.

If these are convincing, some economists hope the market could break back above the 17,000 level. However, if they prove, as is often the case in Japan, less convincing than previously suggested, there are fears the market could resume the downward trend it has been on since the summer.

Another concern will be the publication of the Bank of Japan's crucial *tankan* survey of business sentiment this week. A recent poll of economists showed they expect the survey to be distinctly downbeat and highlight the gap between the struggling smaller domestic companies and a handful of internationally competitive exporters that had been enjoying good growth until recently.

Meanwhile, as Korea's financial turmoil continues there is also growing unease about the impact this could have on Japan, and any new sign of escalation in the crisis could affect the price of many exporting stocks.





COMMODITIES By Kenneth Gooding

Asian crises hits hopes on diamond sales

Is there a crisis in the diamond industry? Some dealers suggest there is and are waiting impatiently to hear what De Beers has to say about the situation this week.

The South African group, which dominates trade in rough, or uncut, diamonds, is due to report annual sales by its Central Selling Organisation (CSO) on Thursday.

Dealers hopes that 1997 sales of rough diamonds might reach a record, and even top $5bn for the first time, evaporated with the Asian currency crises.

Many analysts expect the CSO to report sales of about $4.6bn, well below the $4.834bn achieved in 1996. Mark Cockle, executive editor of Diamond International, published by the CRU International consultancy, suggests the 1997 total will be closer to $4.7bn, even though the CSO has cut back sharply the volume and value of diamonds offered at its monthly "sights" or sales.

It did so after a meeting in August of the World Federation of Diamond Bourses and the International Diamond Manufacturers Association passed resolutions insisting that the trade was in crisis and that the CSO had failed the industry.

"The Draconian reductions [at the sights] were widely welcomed as being the right thing for the CSO to do in the present situation and seen as part of its policy of helping the industry in the light of slow markets in Japan and the Far East, caused by weak local currencies and continuing turmoil and nervousness in the world's stock exchanges," says Mr Cockle.

Nicky Oppenheimer, the chairman-elect of De Beers, said recently he recognised that dealers were worried because the US diamond jewellery market was the only one doing well at present.

However, it was a very competitive market and dealers were concerned that the good conditions might not last much longer.

"Emotion is a very important factor in the diamond business and there is a perception at the moment that people must sell rather than hold stocks as they might have in the past," he said.

CURRENCIES By Simon Kuper

Action likely to focus on yen and dollar

The last full week before Christmas could be one of the most eventful of the year for the foreign exchange markets.

With the yen at its lowest level against the dollar since May 1992, most of the action could involve these two currencies.

Today, the Bank of Japan publishes its quarterly *tankan* survey of business sentiment. Perhaps the most comprehensive survey of its kind in the world, the *tankan* is always keenly awaited. Even the Japanese authorities now admit that their economy has stagnated, but a particularly gloomy *tankan* could further dent the yen.

Tomorrow, Japan is expected to unveil two packages of measures: one to stabilise its stricken banks, the other to give its economy a lift. The first is reported to involve bond issues worth Y10,000bn ($76.7bn), which would be used to improve banks' balance sheets. The second may involve some kind of tax cuts. If the market judges the measures impressive, then Japanese assets could receive a lift. If the yen rises, Tokyo might seize its chance to intervene in the currency market by selling dollars.

Also tomorrow, the Federal Reserve's open market committee meets. The Fed appears damned if it raises interest rates and damned if it doesn't.

On the one hand, a rate increase could hit the world's nervous stock markets, which tumbled again on Thursday. It may also be unnecessary, given that consumer and producer prices are bafflingly docile. US consumer prices for November, out tomorrow, are expected to follow this trend.

On the other hand, the US jobless rate is at a 24-year low, wages are rising, and a 25 basis point interest rate hike would hardly cripple the US economy.

On balance, the currency market expects no move from the Fed. But the wait could be a nervous one.

South Korea, the new heart of the Asian financial crisis, holds presidential elections on Thursday. Some candidates have said that if they win, they will renegotiate the $57bn rescue package brokered by the International Monetary Fund. Such remarks have helped clip 10 per cent off the value of the Korean currency, the won, on most of the past few days.

OTHER MARKETS Compiled by Jeffrey Brown

PARIS

French equities are expected to stay active in what amounts to the final full week of trading before the Christmas holiday. With the present trading account running to December 23, brokers see plenty of scope for further action after the high volumes seen last week.

Takeover talk is the main driving force. This sent the banking sector into a near frenzy last week, but showed through in a more tangible sense among motor stocks with the FFr7.2bn ($1.2bn) bid by the Peugeot group for Bertrand Faure. The agreed deal looks set to create the second largest car components group in France after Valeo.

It is Peugeot's first big deal since Jean-Martin Folz took over as Peugeot boss from Jacques Calvet two months ago. Brokers mostly applauded the deal. They point to the disparity between the stock market valuations of Valeo and the enlarged Faure group, which, some analysts argue, is not merited by the modest differences in their respective sales bases.

As is to be expected at this time of the year, mainstream corporate news remains thin on the ground. Generale des Eaux is due to meet with analysts on Friday. On the economic front, the latest Insee survey is published the same day along with industrial production data for October.

HONG KONG

Share trading is likely to remain nervous and volatile in the run-up to the Christmas closure, *writes Louise Lucas from Hong Kong*. Although interbank interest rates – whose massive rises sparked the last collapse of share prices in October – have stabilised, investors remain cautious.

Sentiment has also been spooked by the rout of the South Korean currency and stock market, and this will continue as a marker this week. This depressed share prices, sending the benchmark Hang Seng index down more than 11 per cent in the three days to Thursday. It clawed back some of these losses on Friday, but still ended the week a net 8 per cent lower.

The recent land auctions have been disappointing and prices of new apartments have continued to fall. The property sector remains under pressure. China counters are likewise out of favour, and brokers expect relative strength to lie with what are seen as defensive plays, such as utilities.

ZURICH

Restructuring hopes have been the main factor driving European financial stocks in recent weeks, and nowhere more so than in the Swiss market, where last week's merger of UBS and SBC further stoked the flames.

In spite of Friday's disappointment, when Swiss Re and the Credit Suisse group denied widespread rumours that they would merge, investors are expected to continue punting on financials this week. While other financials were slipping, insurance group Baloise was swept higher on unspecified bid talk.

Elsewhere, November producer price figures are expected on Tuesday and trade figures for last month due later in the week.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Caterpillar (US)	Perkins (UK)	Engines	$1.325bn	Lucas Varity sale
Promodès (France)	GS (Italy)	Retailing	$912m	Consolidation
Imatran Voima (Finland)	Gullspang Kraft (Sweden)	Power	$204m	Grip tightens
Ralston Purina (US)	Edward Baker Petfoods (UK)	Pet foods	$175m	H&C disposal
OTE (Greece)	ArmenTel (Armenia)	Telecoms	$142.5m	Debut abroad
CGE Transport (France)	Linjebuss (Sweden)	Transport	$122m	Continues growth
Morgan Crucible (UK)	Haldenwanger (Germany)	Speciality materials	$36m	Bolt-on
Senior Engineering	Metal Fab (US)	Engineering	$19m	Speciality buy
Old Mutual (SA)	Capel-Cure Myers (UK)	Financial services	n/a	Strategic buy
State Street (US)	Unit of Bank of Scotland (UK)	Financial services	n/a	Trustee move

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, December 12, 1997. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7847.94	4750.00	2678.77	3645.15
Albania	(Lek)	251.547	152.250	85.8617	116.837
Algeria	(Dinar)	95.8276	58.0000	32.7092	44.5093
Andorra	(French Fr)	9.8124	5.9390	3.3494	4.5578
	(Sp Peseta)	247.797	149.980	84.5839	115.096
Angola	(Readj Kwanza)	424826.8	257126.0	145007.9	197320.2
Antigua	(E Carib $)	4.4610	2.7000	1.5227	2.0720
Argentina	(Peso)	1.6512	0.9994	0.5636	0.7669
Armenia	(Dram)	825.885o	499.870	281.903	383.601
Aruba	(Florin)	2.9575	1.7900	1.0095	1.3737
Australia	(Aus $)	2.4941	1.5095	0.8513	1.1584
Austria	(Schilling)	20.6125	12.4758	7.0360	9.5739
Azerbaijan	(Manat)	6526.19o	3950.00	2227.61	3031.23
Azores	(Port Escudo)	299.560	181.310	102.253	139.137
Bahamas	(Bahama $)	1.6522	1	0.5640	0.7674
Bahrain	(Dinar)	0.6229	0.3770	0.2126	0.2893
Balearic Is	(Sp Peseta)	247.797	149.980	84.5839	115.095
Bangladesh	(Taka)	75.0926	45.4500	25.6323	34.8784
Barbados	(Barb $)	3.3231	2.0113	1.1343	1.5435
Belarus	(Rouble)	67360.1o	40770.0	22992.3	31288.9
Belgium	(Belg Fr)	60.4706	36.6000	20.6412	28.0869
Belize	(B $)	3.3044	2.0000	1.1279	1.5348
Benin	(CFA Fr)	981.240	593.900	334.941	455.759
Bermuda	(Bermudian $)	1.6522	1	0.5640	0.7674
Bhutan	(Ngultrum)	65.3446	39.5500	22.3049	30.3507
Bolivia	(Boliviano)	8.8393	5.3500	3.0172	4.1058
Botswana	(Pula)	6.2589	3.7879	2.1362	2.9068
Brazil	(Real)	1.8440	1.1161	0.6294	0.8565
Brunei	(Brunei $)	2.7402	1.6585	0.9353	1.2727
Bulgaria	(Lev)	2914.48	1764.00	994.812	1353.70
Burkina Faso	(CFA Fr)	981.240	593.900	334.941	455.758
Burma	(Kyat)	10.3291	6.2517	3.5257	4.7976
Burundi	(Burundi Fr)	666.885	403.635	227.631	309.750
Cambodia	(Riel)	5637.30	3412.00	1924.20	2618.37
Cameroon	(CFA Fr)	981.240	593.900	334.941	455.759
Canada	(Canadian $)	2.3476	1.4209	0.8013	1.0904
Canary Is	(Sp Peseta)	247.797	149.980	84.5839	115.095
Cp. Verde	(CV Escudo)	157.694	95.4450	53.8264	73.2446
Cayman Is	(CI $)	1.3684	0.8282	0.4671	0.6356
Cent. Afr. Rep	(CFA Fr)	981.240	593.900	334.941	455.758
Chad	(CFA Fr)	981.240	593.900	334.941	455.759
Chile	(Chilean Peso)	722.012	437.000	246.454	335.354
China	(Yuan)	13.6791	8.2793	4.6693	6.3535
Colombia	(Col Peso)	2161.37	1308.18	737.769	1003.89
Comoros	(Fr)	731.519	442.755	249.693	339.771
Congo	(CFA Fr)	981.240	593.900	334.941	455.759
Congo (DemRep)	(Zaire)(2)	227177.4	137500.0	77543.4	105517.8
Costa Rica	(Colon)	401.030	242.725	136.885	186.267
Côte d'Ivoire	(CFA Fr)	981.240	593.900	334.941	455.759
Croatia	(Kuna)	10.2836	6.2242	3.5109	4.7784
Cuba	(Cuban Peso)(1)	38.0006	23.0000	12.9709	17.6502
Cyprus	(Cyprus £)	0.8610	0.5211	0.2938	0.3999
Czech Rep.	(Koruna)	57.6265	34.8780	19.6701	26.7654
Denmark	(Danish Krone)	11.1587	6.7536	3.8089	5.1829
Djibouti Rep	(Djib Fr)	293.629	177.720	100.226	136.383
Dominica	(E Carib $)	4.4610	2.7000	1.5227	2.0720
Dominican Rep	(D Peso)	24.1221	14.6000	8.2337	11.2041
Ecuador	(Sucre)	7268.37o	4399.00	2480.26	3375.03
	(Sucre)	7241.59a	4383.00	2471.80	3363.52
Egypt	(Egyptian £)	5.6224	3.4030	1.9191	2.6115
El Salvador	(Colon)	14.4650	8.7550	4.9374	6.7188
Equat'l Guinea	(CFA Fr)	981.240	593.900	334.941	455.759
Estonia	(Kroon)	23.4249	14.1780	7.9959	10.8802
Ethiopia	(Ethiopian Birr)	10.9904	6.6520	3.7514	5.1048
Falkland Is	(Falk £)	1	0.6053	0.3413	0.4645
Faroe Is	(Danish Krone)	11.1587	6.7536	3.8089	5.1829
Fiji Is	(Fiji $)	2.5302	1.5314	0.8636	1.1752
Finland	(Markka)	8.8306	5.3449	3.0144	4.1017
France	(Fr)	9.8124	5.9390	3.3494	4.5578
Fr. Cty/Africa	(CFA Fr)	981.240	593.900	334.941	455.759
Fr. Guiana	(Local Fr)	9.8124	5.9390	3.3494	4.5576
Fr. Pacific Is	(CFP Fr)	177.337	107.334	60.5312	82.3682
Gabon	(CFA Fr)	981.240	593.900	334.941	455.759
Gambia	(Dalasi)	16.6494	10.0765	5.6827	7.7327
Germany	(D-Mark)	2.9296	1.7732	1	1.3607
Ghana	(Cedi)	3705.07	2242.50	1264.70	1720.90

		£ STG	US $	D-MARK	YEN (X 100)
Gibraltar	(Gib £)	1	0.6053	0.3413	0.4645
Greece	(Drachma)	461.014	279.030	157.364	214.126
Greenland	(Danish Krone)	11.1587	6.7536	3.8089	5.1829
Grenada	(E Carib $)	4.4610	2.7000	1.5227	2.0720
Guadeloupe	(French Fr)	9.8124	5.9390	3.3494	4.5578
Guam	(US $)	1.6522	1	0.5640	0.7674
Guatemala	(Quetzal)	10.2750	6.2190	3.5072	4.7725
Guinea	(Fr)	1876.90	1136.00	640.660	871.767
Guinea-Bissau	(CFA Fr)(3)	981.240	593.900	334.941	455.758
Guyana	(Guyanese $)	235.934	142.800	80.5324	109.586
Haiti	(Gourde)	27.8758	16.8719	9.5150	12.9475
Honduras	(Lempira)	21.8258	13.2100	7.4498	10.1374
Hong Kong	(HK $)	12.8048	7.7500	4.3708	5.9474
Hungary	(Forint)	331.754	200.795	113.242	154.090
Iceland	(Icelandic Krona)	118.380	71.6500	40.4083	54.9843
India	(Indian Rupee)	65.3446	39.5500	22.3049	30.3507
Indonesia	(Rupiah)	8302.32	5025.00	2833.94	3856.19
Iran	(Rial)	4956.60u	3000.00	1691.88	2302.20
Iraq	(Iraqi Dinar)	0.5137o	0.3109	0.1753	0.2386
Iraq	(Iraqi Dinar)	1982.64m	1200.00	676.743	920.881
Irish Rep	(Punt)	1.1267	0.6831	0.3853	0.5242
Israel	(Shekel)	5.8423	3.5361	1.9942	2.7136
Italy	(Lira)	2870.62	1737.45	979.866	1333.32
Jamaica	(Jamaican $)	57.4139	34.7500	19.5973	26.6672
Japan	(Yen)	215.296	130.310	73.4907	100
Jordan	(Jordanian Dinar)	1.1747	0.7110	0.4010	0.5456
Kazakhstan	(Tenge)	125.212	75.7850	42.7391	58.1575
Kenya	(Kenya Shilling)	104.502	63.2500	35.6710	48.5381
Kiribati	(Australian $)	2.4941	1.5095	0.8513	1.1584
Korea North	(Won)	3.6349	2.2000	1.2407	1.6883
Korea South	(Won)	2829.39	1712.50	965.795	1314.17
Kuwait	(Kuwaiti Dinar)	0.5033	0.3047	0.1718	0.2338
Laos	(New Kip)	1880.20	1138.00	641.778	873.302
Latvia	(Lats)	0.9703	0.5873	0.3312	0.4507
Lebanon	(Lebanese £)	2531.17	1532.00	863.999	1175.66
Lesotho	(Maluti)	8.0809	4.8910	2.7584	3.7534
Liberia	(Liberian $)	1.6522	1	0.5640	0.7674
Libya	(Libyan Dinar)	0.6336	0.3835	0.2163	0.2943
Liechtenstein	(Swiss Fr)	2.3694	1.4341	0.8088	1.1005
Lithuania	(Litas)	6.6092	4.0003	2.2560	3.0698
Luxembourg	(Lux Fr)	60.4706	36.6000	20.6412	28.0869
Macao	(Pataca)	13.2092	7.9931	4.5077	6.1339
Macedonia	(Denar)	90.3505	54.6850	30.8397	41.9653
Madagascar	(MG Fr)	8260.59	5000.00	2819.76	3837.00
Madeira	(Port Escudo)	299.560	181.310	102.253	139.137
Malawi	(Kwacha)	29.6603	17.9520	10.1241	13.7764
Malaysia	(Ringgit)	6.3032	3.8150	2.1515	2.9276
Maldive Is	(Rufiya)	19.4464	11.7700	6.6377	9.0323
Mali Rep	(CFA Fr)	981.240	593.900	334.941	455.758
Malta	(Maltese Lira)	0.6478	0.3921	0.2211	0.3009
Martinique	(Local Fr)	9.8124	5.9390	3.3494	4.5576
Mauritania	(Ouguiya)	278.389	167.285	94.3434	128.375
Mauritius	(Maur Rupee)	35.3319	21.3900	12.4017	16.8751
Mexico	(Mexican Peso)	13.4803	8.1650	4.6048	6.2658
Moldova	(Leu)	7.7328	4.6800	2.6393	3.5914
Monaco	(French Fr)	9.8124	5.9390	3.3494	4.5578
Mongolia	(Tugrik)	1296.58	784.760	442.567	602.226
Montserrat	(E Carib $)	4.4610	2.7000	1.5227	2.0720
Morocco	(Dirham)	15.9711	9.6665	5.4515	7.4181
Mozambique	(Metical)	18992.0	11495.0	6482.63	8821.27
Namibia	(S A Rand)	8.0809	4.8910	2.7584	3.7534
Nauru Is	(Australian $)	2.4941	1.5095	0.8513	1.1584
Nepal	(Nepalese Rupee)	94.0927	56.9500	32.1171	43.7036
Netherlands	(Guilder)	3.3012	1.9981	1.1268	1.5333
N'nd Antilles	(A/Guilder)	2.9575	1.7900	1.0095	1.3737
New Zealand	(NZ $)	2.7710	1.6771	0.9459	1.2870
Nicaragua	(Gold Cordoba)	16.3750	9.9110	5.5893	7.6057
Niger Rep	(CFA Fr)	981.240	593.900	334.941	455.759
Nigeria	(Naira)	36.1633o	21.8880	12.3438	16.7969
	(Naira)	126.807m	76.7500	43.2846	58.8960
Norway	(Nor. Krone)	12.0082	7.2686	4.0992	5.5765
Oman	(Rial Omani)	0.6360	0.3850	0.2171	0.2954

		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)(4)	72.7057	44.0060	24.8180	33.7702
Panama	(Balboa)	1.6522	1	0.5640	0.7674
Papua New Guinea	(Kina)	2.7815	1.6835	0.9494	1.2919
Paraguay	(Guarani)	3667.88	2220.00	1251.97	1703.63
Peru	(New Sol)	4.4833	2.7135	1.5303	2.0823
Philippines	(Peso)	62.7011	37.9500	21.4026	29.1229
Pitcairn Is	(£ Sterling)	1	0.6053	0.3413	0.4645
	(NZ $)	2.7710	1.6771	0.9458	1.2870
Poland	(Zloty)	5.8744	3.5555	2.0052	2.7285
Portugal	(Escudo)	299.560	181.310	102.253	139.137
Puerto Rico	(US $)	1.6522	1	0.5640	0.7674
Qatar	(Riyal)	6.0158	3.6411	2.0534	2.7942
Reunion Is. de la	(F/Fr)	9.8124	5.9390	3.3494	4.5576
Romania	(Leu)	13168.0	7970.00	4494.83	6116.16
Russia	(Rouble)	9795.89m	5929.00	3343.77	4549.92
Rwanda	(Fr)	572.472	346.491	195.404	265.898
St Christopher	(E Carib $)	4.4610	2.7000	1.5227	2.0720
St Helena	(£)	1	0.6053	0.3413	0.4645
St Lucia	(E Carib $)	4.4610	2.7000	1.5227	2.0720
St Pierre & Miquelon	(F/Fr)	9.8124	5.9390	3.3494	4.5576
St Vincent	(E Carib $)	4.4610	2.7000	1.5227	2.0720
San Marino	(Italian Lira)	2870.62	1737.45	979.866	1333.32
San Tome	(Dobra)	3948.75	2390.00	1347.85	1834.09
Saudi Arabia	(Riyal)	6.1966	3.7505	2.1152	2.8781
Senegal	(CFA Fr)	981.240	593.900	334.941	455.758
Seychelles	(Rupee)	8.3932	5.0800	2.8649	3.8984
Sierra Leone	(Leone)	1363.06	825.000	465.261	633.108
Singapore	($)	2.7402	1.6585	0.9353	1.2727
Slovakia	(Koruna)	56.9796	34.4870	19.4496	26.4654
Slovenia	(Tolar)	275.909	166.995	94.1798	128.152
Solomon Is	($)	6.2471	3.7811	2.1329	2.9016
Somali Rep	(Shilling)	4328.76	2620.00	1477.55	2010.59
South Africa	(Rand)	8.0809	4.8910	2.7584	3.7534
Spain	(Peseta)	247.797	149.980	84.5839	115.095
Spanish Ports in N Africa	(Sp Peseta)	247.797	149.980	84.5839	115.095
Sri Lanka	(Rupee)	101.792	61.6100	34.7461	47.2796
Sudan Rep	(Dinar)	235.934	142.800	80.5324	109.585
Surinam	(Guilder)	662.532	401.000	226.145	307.728
Swaziland	(Lilangeni)	8.0809	4.8910	2.7584	3.7584
Sweden	(Krona)	12.8277	7.7640	4.3786	5.9581
Switzerland	(Fr)	2.3694	1.4341	0.8088	1.1005
Syria	(£)	66.0860	40.0000	22.5581	30.6960
Taiwan	($)	53.6676	32.4825	18.3191	24.9271
Tanzania	(Shilling)	1019.41	617.000	347.959	473.486
Thailand	(Baht)	74.3904	45.0250	25.3927	34.5522
Togo Rep	(CFA Fr)	981.240	593.900	334.941	455.759
Tonga Is	(Pa'anga)	2.4941	1.5095	0.8513	1.1584
Trinidad/Tobago	($)	10.2436	6.2000	3.4965	4.7579
Tunisia	(Dinar)	1.8703	1.1320	0.6384	0.8687
Turkey	(Lira)	330654.8	200130.0	112865.9	153579.9
Turks & Caicos	(US $)	1.6522	1	0.5640	0.7674
Tuvalu	(Australian $)	2.4941	1.5095	0.8513	1.1584
Uganda	(New Shilling)	1875.25	1135.00	640.086	871.030
Ukraine	(Hryvna)	3.1363	1.8983	1.0705	1.4567
U A E	(Dirham)	6.0684	3.6729	2.0714	2.8186
United Kingdom	(£)	1	0.6053	0.3413	0.4645
United States	(US $)	1.6522	1	0.5640	0.7674
Uruguay	(Peso Uruguayo)	16.4807	9.9750	5.6254	7.6548
Vanuatu	(Vatu)	202.750	122.715	69.2073	94.1718
Vatican	(Lira)	2870.62	1737.45	979.866	1333.32
Venezuela	(Bolivar)	830.074v	502.405	283.340	385.546
Vietnam	(Dong)	20308.0	12291.5	6931.82	9432.51
Virgin Is-British	(US $)	1.6522	1	0.5640	0.7674
Virgin Is-US	(US $)	1.6522	1	0.5640	0.7674
Western Samoa	(Tala)	4.5117	2.7307	1.5400	2.0955
Yemen (Rep of)	(Rial)	204.873r	124.000	69.9301	95.1577
Yugoslavia	(New Dinar)	9.7969	5.8932	3.3235	4.5225
Zambia	(Kwacha)	2299.04	1391.50	784.762	1067.84
Zimbabwe	($)	30.5723	18.5038	10.4355	14.1998
ECU	(ECU)	1.4832	0.8977	0.5063	0.6889
SDR	(SDR)	1.22058	0.738585	0.415800	0.571219

Abbreviations: (a) Free rate; (m) Market rate; (o) Official rate; (r) Parallel rate (t) Tourist rate (u) Currency fixed against the US Dollar (v) Floating rate (1) Market rate now shown for Cuba (2) Name changed from Zaire on May 19th 1997, currency scheduled to change to Congolese Francs (3) Guinea-Bissau adopted the CFA Franc to replace the Peso on 1/5/97 (4) Pakistan Rupee devalued by 8% on 16/10/97: FT enquiries to Business Research Centre 0171 258 5130. Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 0171 634 4365.
To obtain a copy of this table by Fax from the Cityline service dial 0891 437001. Calls are charged at 50p per minute at all times.
Friday, December 12, 1997

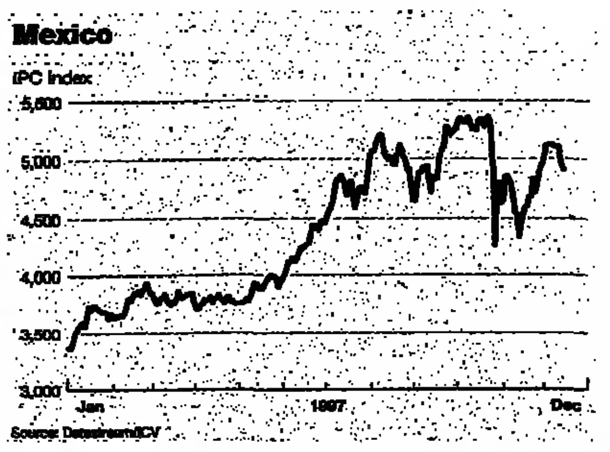
ATHENS STOCK EXCHANGE December 8th - December 12th 1997 GREECE

				GDP (USD bn) 97e	118.05
ASE INDEX	1517.18	P/E (after tax) 97e/96	16.6/19.5	Per Capita Income (USD)	11,351
%Chg (31/12/96)	62.53	EPS GROWTH (%) 97e	20.1	Inflation Rate (% Y.O.Y, November '97)	5.10
Yearly High	1808.85	P/E 97e / EPS GROWTH (%) 97e	0.83	December 12 M T-Bill rate (%)	11.30
Yearly Low	932.38	P/CE 97e/96	13.0/15.2	1-Month Athibor (%)	12.82
WEEKLY VOL (USD m)	468.24	P/BV 97e/96	3.9/4.0	GRD/US$ (December 12, 1997)	277.20
%Chg (Prev. Wk)	-12.24	Div. Yield (%) 97e/96	3.5/2.9	A.S.E. Market Capitalisation - 12/12/96 (USD bn)	36.13
1 Y Wk Avg Vol. (USD m)	394.13			IPOs & Rights Issues (in USD m) Jan 1 - December 12 '97	2,957.36

EMERGING MARKETS By Henry Tricks

Mexico proves its resilience

Largely thanks to its quick recovery from the Asia-related turmoil, Mexico has had the strongest stock market in Latin America this year. It was *not* spared the lashing given to emerging markets from Bangkok to Brazil in the second half of 1997. But since its late October low the IPC index has recouped more than 15 per cent in dollar terms and its year-to-date gain is above 45 per cent – double the average in Latin America as a whole.



Source: Datastream/ICV

So now, investors are asking, can Mexico be considered a safe haven if turbulence in international markets returns? Its recent performance, analysts say, suggests the Mexican market may be a good bet next year if attention remains focused on the country's solid economic footing and if the US market holds up.

But it could still be in for a shaky ride if global investors turn nasty again and punish emerging markets as an asset class.

"If something happens in Brazil, it's going to hit Mexico, no doubt about it," said Ricardo Peon, head of equity analysis at Deutsche Morgan Grenfell in Mexico. "But the risk is very small on a fundamental basis."

It had been a good year in Mexico before the Asian troubles, and as investors peered through the dustcloud in the wake of the October mayhem, they noticed several new enticements.

Third-quarter results showed a long-awaited pick-up in the retail sector, signalling the start of a turnround in Mexican consumption that had been crushed by the 1994 peso crisis.

The peso, which exporters were complaining had been stubbornly strong all year, had slid by a 6 per cent margin that financial authorities appeared comfortable with. Unlike other Latin American countries, Mexico's free-floating regime meant few hard currency reserves had been wasted defending it.

Growth prospects for 1998, although likely to be short of the 7 per cent expected this year, also compare favourably with other parts of the region, especially after Brazil pushed up interest rates as part of its bid to counter devaluation expectations.

Analysts said that with the Mexican market trading above 15 times estimated 1998 earnings, it is higher priced than its South American counterparts, most of which are in the low teens.

But the economy's performance may justify that. According to Felix Boni, director of research at ING Barings in Mexico, earnings growth in dollars is expected to be 26 per cent in 1998, compared with the low 20s in other parts of Latin America.

Mexican exporters, of course, are nervous that competitive devaluations of south-east Asian currencies could threaten their markets. Their shares – the main source of profit in the aftermath of the 1994 devaluation – have been hardest hit during the recent market turmoil.

On the other hand, the rebound in domestic consumption has helped trigger a sharp recovery in share prices of retailers like Cifra. That has led analysts to tout retail, food and beverage, and service industries companies – including telecoms giant Telmex – as possible tips for next year.

Some investment houses are also placing large domestic banks like Banamex on their Christmas lists as the banking crisis starts to fade and improving credit quality cuts the need for costly loan-loss reserves.

Even given the increased competition from Asia in international export markets, few see Mexico's growing trade deficit as cause for alarm yet, and the peso is expected to remain relatively stable.

Mexico's position on the US border, as well as competitive – though rising – wages, have helped attract what the finance ministry says is up to $12bn in foreign direct investment (FDI) in 1997, easily covering a current account gap expected to end the year at about $7bn. The Finance Ministry has said it expects FDI to bring another $10bn into the country next year.

One potential black cloud looming over the markets is politics. Opposition gains in mid-term legislative elections in July meant the ruling Institutional Revolutionary Party lost its majority in the Lower House of Congress for the first time in 68 years.

The PRI's empowered opponents have turned the 1998 budget debate into a scrappy fight for lower taxes and more public spending. Mr Boni, for one, says he is refraining from raising his end-1998 IPC index forecast until that battle is resolved.

Emerging markets: IFC weekly investable price indices

Market	No. of stocks	Dollar terms: Dec 11th 1997	% Change over week	% Change on Dec '96
Latin America	(270)	633.75	−6.0	+17.8
Argentina	(32)	1,048.88	−7.2	+10.3
Brazil	(75)	430.09	−10.4	+8.5
Chile	(50)	647.74	−2.6	+4.4
Colombia[1]	(15)	812.07	+0.7	+28.3
Mexico	(62)	733.94	−4.1	+38.8
Peru[2]	(24)	215.51	−3.5	+9.5
Venezuela[3]	(12)	884.61	−3.5	+21.5
Asia	(758)	113.38	−4.9	−55.1
China[4]	(43)	59.13	−0.6	−19.8
South Korea[5]	(184)	23.90	−35.1	−69.1
Philippines	(49)	125.62	+0.8	−57.2
Taiwan, China[6]	(98)	146.62	+0.9	−4.3
India[7]	(72)	75.50	−6.9	−4.2
Indonesia[8]	(61)	40.47	−15.2	−68.3
Malaysia	(157)	98.96	−0.0	−70.6
Pakistan[9]	(24)	251.29	−2.7	+28.4
Sri Lanka[10]	(5)	115.42	+5.3	+21.4
Thailand	(65)	52.00	−9.5	−76.5
Euro/Mid East	(398)	137.27	−5.0	+2.2
Czech Rep	(6)	52.53	+2.2	−25.1
Egypt	(28)	81.78	+0.5	−
Greece	(54)	331.62	−4.3	+36.8
Hungary[11]	(13)	270.04	−3.1	+37.3
Israel	(46)	120.06	−1.4	+20.1
Jordan	(6)	212.23	−1.8	+13.7
Morocco	(11)	131.66	−0.3	−
Poland[12]	(30)	570.22	−4.7	−22.1
Portugal	(23)	202.58	−3.4	+38.6
Russia	(31)	127.95	−5.7	−
Slovakia	(5)	95.56	−2.3	−
South Africa[13]	(77)	171.84	−5.7	−17.6
Turkey[14]	(58)	255.42	−9.0	+71.8
Zimbabwe[15]	(10)	279.43	−20.6	−41.7
Composite	(1,426)	296.30	−5.4	−19.8

Indices are calculated at end-week; weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.

INTERNATIONAL BONDS By Ken Warn

Christmas comes early for Argentina

Christmas has come early for Argentina. Not only has it made two successful forays into the international bond markets, the only emerging market borrower to do so since global markets tumbled on October 23, it is also confident of securing a $2bn syndicated loan from local banks.

Last week Argentina launched a dollar bond with an unusual "adjusted spread" structure. The offering was increased from a planned $300m to $500m to meet demand. The issue, which followed a L300bn short-dated offering in late November, completed this year's borrowing programme and kick-started 1998's.

Now the country stands poised to contract-out a role in its debt management to an international bank, in a move that could herald further innovations in the handling of its $100bn-plus net public debt.

Six international banks have tendered for a contract to offer the government technical advice on debt. They are Merrill Lynch, Salomon Smith Barney, Citibank, Goldman Sachs, J.P. Morgan and Swiss Bank Corp.

The contract, likely to be awarded early next year, is fully financed by the Inter-American Development Bank. The winning bank will offer advice on which currencies to choose for new issues, and whether to go for fixed or floating rates. It will also provide help with local staff training and computer software.

"We think the advice could help us in the long-term to have better liquidity management," said Miguel Kiguel, finance undersecretary.

Argentina had already won praise earlier this year for its strategy of lengthening its debt maturity and seeking broader access to world credit markets. In September the government unveiled a plan to retire part of its old-style restructured debt through its first 30-year global US dollar bond issue.

"The government financial team this year was no longer just involved in putting out fires. Assuming an orderly end to the international crisis, they can spend more time thinking about the kind of debt structure they want, using swaps or buy-backs to clean things up," said Freddy Thomsen, chief economist at ING Barings.

However, Argentina faces a tougher international borrowing environment next year. The two recent bond issues were at higher spreads than Argentina has become accustomed to, with the dollar bond coupon at least one percentage point higher than it would have been before the market turmoil. Officials also acknowledge they were lucky to get the bond away last Tuesday before international markets again took fright over events in South Korea.

The dollar bond's structure, under which the premium paid over US Treasuries is adjusted at regular intervals through an auction process, is effectively a gamble on the direction of interest rates. Officials are confident spreads will tighten, ultimately saving the country money.

Next year's longer-term borrowing needs total about $13bn, with $8bn expected to be raised from the international markets and $5bn domestically. The mix could change, depending on market conditions. But officials admit they will be forced to exploit niche opportunities and periods of relative market calm to the full in order to meet their targets.

The government has also been *looking* beyond the bond markets for ways of meeting its financing needs. Mr Kiguel said Argentina was in an advanced stage of negotiations to secure a syndicated loan of up to $2bn from the 11 local and international banks in the market-maker system for local Treasury instruments.

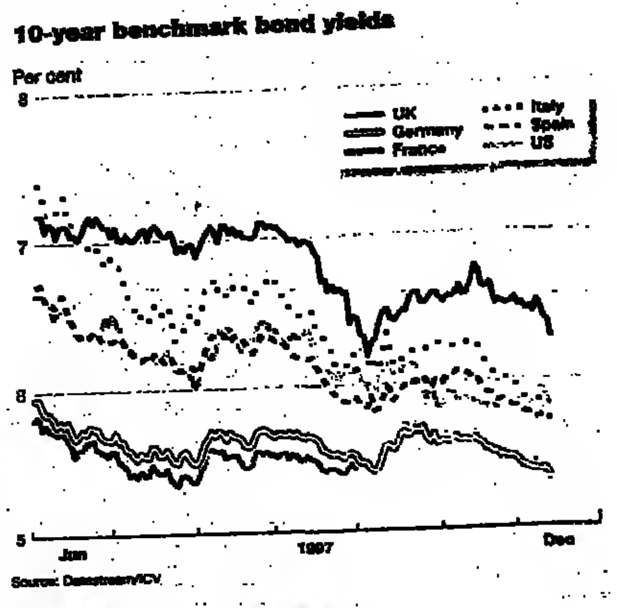
Earlier this year the government began negotiations with a group of international banks for a syndicated loan, only to see the talks founder in October's market volatility. The proposed deal, similar to Mexico's recent $2.5bn syndicated credit, was intended as "insurance" against future increases in borrowing costs.

Talks with the local market-makers, which include Banco de Galicia, Deutsche Bank Argentina, Chase Manhattan and Citibank, appear more likely to bear fruit.

"I think the bond issues show that even under the present volatile conditions Argentina can access funds at a reasonable cost," said Pablo Guidotti, treasury secretary. "The syndicated loan sends the same message."

The Asian financial crisis has brought leaner times for emerging market borrowers. But at the very least, Argentina can face the uncertainties of the new year with some cash in hand.

10-year benchmark bond yields



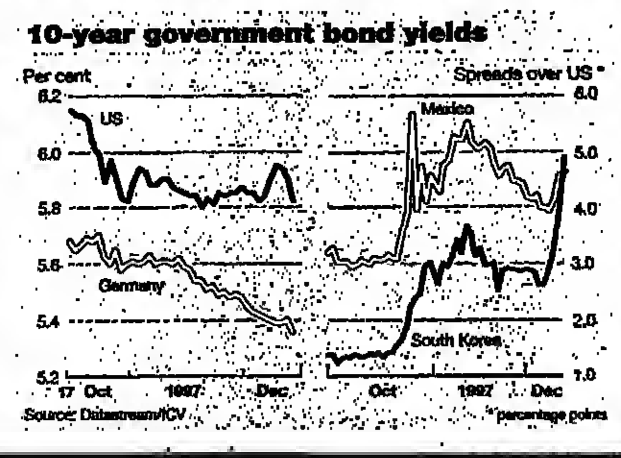
Source: Datastream/ICV

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	5.00	0.50	2.50	3.30[1]	6.25	7.25[2]
Overnight	n/a	n/a	3.30	3.31	5.06	n/a
Three month	5.23	0.38	3.68	3.50	6.04	7.45
One year	5.45	0.48	3.96	3.83	5.20	7.22
Five year	5.74	1.11	4.89	4.80	5.33	6.58
Ten year	5.78	1.86	5.29	5.28	5.75	6.28

(1) France-intervention rate. (2) UK-Base rate. Source: Reuters.

10-year government bond yields



Source: Datastream/ICV

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
World Bank	750	Dec 2007	6.125	99.496R	6.194	+20(6¼%-Aug07)	Goldman Sachs
HK M'gage Funding No1(a)‡	234	Dec 2024	(a1,l)	100.00R	-	-	UBS
Cregem Finance(b)§	150	Jan 2004	2.75	100.00	-	-	Morgan Stanley DW
Agnes MT, 97-D(d)‡	600	-	-	-	-	-	Lehman Brothers
Republic of Argentina	500	Nov 2002	(e,s)#	99.296#R	-	+375(5¾%-02)	Merrill Lynch
General Electric CCRFS(f,l)	420	Dec 2002	6.125	99.66R	6.612	+20(5¾%Nov02)	Goldman Sachs
Westpac Banking Corp‡	300	Jan 2003	(a)	99.784R	-	-	HSBC Markets
Brazos SLFC, Cls A1(o1)★‡	100	Sep 2002	(o2,s)	100.00R	-	-	Salomon Smith Barney
Brazos SLFC, Cls A2(o3)★‡	90	Dec 2007	(o4,s)	100.00R	-	-	Salomon Smith Barney
Kingdom of Sweden	500	Jan 2008	6.125	99.265R	6.226	+28(6¼%-Aug07)	Salomon Smith Barney
Provident Bank HELT(t)‡	250	-	-	-	-	-	Lehman Brothers
Trench Electric(u,s)	160	Dec 2007	10.25§	100.00R	10.25	+445(6⅛%-07)	CSFB New York
Crestar SLT, Class A1(y1)★‡	130	Apr 2002	(y2)	100.00R	-	-	Salomon Smith Barney
Crestar SLT, Class A2(y3)★‡	84	Apr 2007	(y4)	100.00R	-	-	Salomon Smith Barney
Ford Credit Canada★‡	290	Dec 2002	(A)	100.00R	-	-	Lehman Brothers
D-MARKS							
Air Canada	200	Jan 2005	6.625	99.85R	6.652	+139(7¼%-04)	Bayerische Landesbank
Merrill Lynch Intl & Co(z)	150	Dec 2005	zero	100.00	-	-	Merrill Lynch Germany
Bank of Western Australia‡	125	Jan 2003	(B)	99.955R	-	-	Paribas
YEN							
Swedish Export Kredit(g)★	40bn	Dec 1999	5.80(l)	99.95	-	-	Nomura International
European Investment Bk(h)★	25bn	Dec 2000	5.00§	100.00	-	-	Daiwa Europe
SBAB(v)★	10bn	Dec 2000	4.60§	100.00	-	-	IBJ Intl/Wako Intl
STERLING							
European Investment Bank(j)	150	Nov 2004	6.00	95.887R	6.76	+10(6¾%Nov04)	ABN Amro Hoare Govett
LB Schleswig Holstein	100	Jan 2000	7.25	99.80R	7.361	+33(i)	Hambros Bank
FRENCH FRANCS							
Groupe Andre(k)‡	900	Dec 2002	(k1)	100.00R	-	-	Crédit Lyonnais/Merrill
Rheinische Hypobank(p)‡	1bn	Jan 2009	(p1,l)	100.10R	-	-	CAI/CDC Marchés
Rheinische Hypobank	300	Jan 2008	(q,s)	100.15	-	-	CDC Marchés
SWISS FRANCS							
Province of Quebec‡	300	Dec 2007	(c)	100.00R	-	-	Société Générale
City of Zurich	250	Jan 2009	3.50	101.05	3.348	-	CSFB/UBS
KommunalkreditR	150	Jan 2003	3.25	102.80	2.645	-	SBC Warburg DR
European Investment Bank	*200*	*Jan 2008*	*3.75*	*102.55*	*3.444*	-	*Deutsche Morgan G'fell*
ITALIAN LIRE							
Deutsche Finance (N'lands)‡	100bn	Jan 2008	(m)	99.50R	-	-	Deutsche Morgan G'fell
European Investment Bank‡	200bn	Jan 2010	(r)	99.80R	-	-	Sanwa International
World Bank(w)‡	150bn	Jan 2010	(w1)	101.275	-	-	(w3)
GUILDERS							
N Waterschapsbank	500	Jan 2008	5.50(l)	99.46R	5.571	+16(j)	ING Barings
Rabobank Netherlands	500	Jan 2010	5.625	99.35R	5.701	+22(j)	Rabobank International
LUXEMBOURG FRANCS							
Dresdner Bank Luxembourg	2bn	May 2008	6.00(l)	102.875	5.62	-	BGL/BIL
EUROS							
DSL Finance(s)	100	Dec 2002	5.125	100.075R	5.113	+4(5¼Jul02)	Paribas
DANISH KRONER							
BBL International Finance(s)	400	Dec 2003	5.625	102.00	5.23	-	BBL
RAND							
World Bank(x)	1bn	Dec 2028	zero	2.94	-	-	Hambros Bank
NEW ZEALAND DOLLARS							
National Australia Bank	100	Jan 2000	8.00	99.925R	8.042	+60(6½Feb00)	Hambros Bank
SWEDISH KRONOR							
World Bank	500	Jan 2004	6.00	101.38	5.722	-	Kreditbank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) Originator: Bank of East Asia. Average life: 2.9 years. 10% clean-up call. a1) 1-mth Libor +35bp to Dec 03, then 1-mth Libor +75bp. a2) Class B: US$26m, av. life: 5.1 yrs, 1-mth Libor +80bp. b) Exchangeable into ING ordinary shares at Fl 109.86. Exchange ratio: 18.3184. FX: Fl 2.0125/US$. Callable from Jan 01 at par. c) 6% to Dec 99, then TEC10 -73bp. d) Mortgage Trust. 11-tranche deal. e) 9½%, then adjusted following Dutch auction process in May and Nov 98, Nov 99 and annually thereafter. Spread will be between 200bp and 850bp. f) Capital Canada Retailer Financial Services. g) Redemption in sterling. h) Redemption in sterling. i) Over interpolated yield. j) Fungible with £550m launched 28/1/94. Plus 27 days accrued. k) FFr800m launched on 9/12/97 increased by FFr100m. k1) 3-mth Pibor +150bp. l) Long 1st coupon. m) 7% to Jan 00, then 18% -2 x 12-mth Libor to Jan 08, then 6-mth Libor +25bp paid semi-annually. Min zero%. n) 3-mth Libor flat. o) Student Loan Finance Corp. 97-A, asset-backed notes. o1) Legal maturity: Dec 04. Av. life: 2.51 yrs. o2) 1-mth Libor +20bp. o3) Legal maturity: Dec 21. Av. life: 7.76 yrs. o4) 1-mth Libor +27bp. o5) Class B1 subordinated. $15m, expected maturity: Dec 07. 1-mth Libor +47bp. p) Pfandbrief. p1) TEC10 -70bp. q) Issuer option to switch from 5.7% to 3-mth Pibor +25bp on every coupon date. r) 12.1% to Jan 99, then 7% to Jan 01, then 15% -2 x 12-mth Libor. Min 2½% in yrs 6-12. s) Short 1st coupon. t) Home Equity Loan Trust 97-4. 4-tranche mortgage-backed deal. u) Callable from Dec 02 at 105⅛% falling 1.708%pa to par. v) Redeemed at US$788.34 per Y100,000 note. US$ redemption adjustable Dec 97 if rate below Y130.15/US$. w) L450bn launched 3/12/97 increased to L600bn. w1) 12% to Jan 99, then 7% to Jan 01, then 15% -2 x 12-mth Libor, min 2½%. w3) Joint bookrunners: BCI, Cabota, Cariplo, Goldman, JPM, Sanwa. x) R2bn launched 2/12/97 increased to R3bn. y) Student Loan Trust, 07-1. 3-tranche asset-backed deal. y1) Legal maturity: Jan 07. Av. life: 1.98 yrs. y2) 1-mth Libor +16bp. y3) Legal maturity: Jan 17. Av. life: 6.85 yrs. y4) 1-mth Libor +22bp. y5) Class B subordinated. $8.8m, expected maturity: Apr 07. 1-mth Libor +45bp. z) Fungible with DM250m. Puttable daily from Dec 00. Redemption linked to German top 12 total return index. A) 3-mth Libor +16bp. B) 3-mth Libor +12½bp. Note: Yields are calculated on ISMA basis.

هكذا من الاصل

Gold Fields of South Africa Limited
(Incorporated in the Republic of South Africa)
(Registration number 05/04181/06)
("Gold Fields")

Driefontein Consolidated Limited
(Incorporated in the Republic of South Africa)
(Registration number 68/04880/06)
("Driefontein")

Kloof Gold Mining Company Limited
(Incorporated in the Republic of South Africa)
(Registration number 64/04462/06)
("Kloof")

New Wits Limited
(Incorporated in the Republic of South Africa)
(Registration number 05/04822/06)
("New Wits")

Gencor Limited
(Incorporated in the Republic of South Africa)
(Registration number 01/01252/06)
("Gencor")

Beatrix Mines Limited
(Incorporated in the Republic of South Africa)
(Registration number 77/02138/06)
("Beatrix")

Evander Gold Mines Limited
(Incorporated in the Republic of South Africa)
(Registration number 64/06236/06)
("Evander")

Oryx Gold Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number 69/01900/06)
("Oryx")

St Helena Gold Mines Limited
(Incorporated in the Republic of South Africa)
(Registration number 05/20743/06)
("St Helena")

(collectively "the Companies")

Withdrawal of cautionary and salient dates announcement

1. **Withdrawal of cautionary announcement**

Shareholders of the Companies are advised that on Thursday, 11 December 1997, the High Court of South Africa (Witwatersrand Local Division) ("the Court") granted orders authorising the convening of meetings of shareholders of Beatrix, Kloof and Oryx to consider schemes of arrangements to be proposed in terms of section 311 of the Companies Act, 1973 ("the proposed schemes of arrangement"), whereby Gold Shelf One Limited ("Goldco") will acquire the entire issued share capital of Beatrix, Kloof and Oryx respectively. Under the circumstances, the further joint cautionary announcement published on 8 December 1997 is withdrawn.

2. **Salient dates**

Documentation relating to the implementation of the transactions necessary to achieve the combination of the gold assets of Gold Fields and Gencor ("the composite transaction") will be posted to shareholders of the Companies on Monday, 15 December 1997. The salient dates relating to implementation of the composite transaction are set out below:

	1997
Offer to Evander shareholders opens (09:00)	Monday, 15 December
Offer to St Helena ordinary shareholders opens (09:00)	Monday, 15 December

	1998
Last day to register in order to vote at the scheme meetings of Beatrix, Kloof and Oryx shareholders respectively	Monday, 12 January
General meeting of Gold Fields shareholders to be held at 09:15 on	Tuesday, 13 January
General meeting of Gencor shareholders to be held at 09:15 on	Tuesday, 13 January
General meeting of New Wits shareholders to be held at 10:30, or so soon thereafter as the general meetings of Gold Fields shareholders and Gencor shareholders are concluded or adjourned, on	Tuesday, 13 January
Scheme meeting of Beatrix shareholders to be held at 11:00, or so soon thereafter as the general meeting of New Wits shareholders is concluded or adjourned, on	Tuesday, 13 January
Scheme meeting of Kloof shareholders to be held at 11:45, or so soon thereafter as the scheme meeting of Beatrix shareholders is concluded or adjourned, on	Tuesday, 13 January
Scheme meeting of Oryx shareholders to be held at 12:30, or so soon thereafter as the scheme meeting of Kloof shareholders is concluded or adjourned, on	Tuesday, 13 January
Court hearing to sanction the proposed schemes of arrangement	Tuesday, 27 January
Record date for the proposed schemes of arrangement (shareholders of Beatrix, Kloof and Oryx must be registered as such at the close of business on this date in order to receive the considerations payable in terms of the proposed schemes of arrangement)	Friday, 30 January
Listings of Beatrix, Kloof and Oryx shares terminate at the close of trading (if the proposed schemes of arrangement are implemented) on	Friday, 30 January
Offers to Evander shareholders and St Helena shareholders become unconditional	Friday, 30 January
Composite transaction implemented on	Monday, 2 February
Listing of Goldco shares commences on the Johannesburg Stock Exchange	Monday, 2 February
Expected date of publication of an abridged form of the pre-listing statement of Goldco in the South African press	Monday, 2 February
Offers to Evander shareholders and St Helena ordinary shareholders close (12:00)	Friday, 13 February

Notes:

1. The dates and times above are subject to amendment. Details of any such amendments will be published in the press.
2. All times indicated above are local times in South Africa.

Johannesburg
12 December 1997

Financial advisers to Gold Fields

MORGAN STANLEY
Morgan Stanley South Africa (Pty) Limited
(Registration number 94/00261/07)

SCMB
Standard Corporate and Merchant Bank
(A division of The Standard Bank of South Africa Limited)
(Registration number 62/00738/06)

Financial adviser to Gencor

Deutsche Morgan Grenfell
Deutsche Morgan Grenfell (SA) (Proprietary) Limited
(Registration number 95/11798/07)

Independent merchant bank

RMB RESOURCES
(A division of Rand Merchant Bank Limited)
(Registration number 68/13988/06)
(Registered bank)

Legal advisers to Gold Fields

Bowman Gilfillan Hayman Godfrey
ATTORNEYS
ESTABLISHED 1902

Legal adviser to Gencor

EDWARD NATHAN & FRIEDLAND INC
(Registration number 77/00526/21)

Independent reporting accountants

ERNST & YOUNG
Corporate Finance

KPMG
Registered Chartered Accountants (SA)

Sponsoring brokers to Goldco (South Africa)

Deutsche Morgan Grenfell
Deutsche Morgan Grenfell (Proprietary) Limited
(Registration number 73/06709/07)

Standard Equities
(Registration number 72/08305/07)
(Member of the Johannesburg Stock Exchange)

Sponsoring brokers to Goldco (United Kingdom)

CAZENOVE & CO.
(A member of The Securities and Futures Authority and of The London Stock Exchange)

Deutsche Morgan Grenfell

Independent technical adviser

SRK

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ **TODAY**
AECI 5½% Gross Cm Pf 2.2p
Abbey National 10⅝% Bd 1998 £531.25
Abbey Natl Treas 11% Bd 1999 £110.0
Advent VCT 1.25p
Aeroquip-Vickers $0.20
Allied Leisure 0.67p
Ann Street Brewery 7p
Atlantic Richfield $0.7125
Barlows 0.8p
Barrick Gold $0.08
Brunswick $0.125
CSX $0.30
Cadbury Sch 8% Cv Bd 2000 $400.0
Cap & Counties 6¾% 1st Mtg Db 94/99 £1.405479
Caverdale 35p
Chester Asset Rcvbls No 2 Asset Bckd FRN '01 £1838.95
City Mort Rcvbls 1 Mtg-Bckd FRN Feb '23 Ser 1996-2001 £41.58
Do No 2 1996-2002 £46.81
Do No 3 1996-2002 £43.72
Do Class B Oct 2023 £66.88
Do No 4 A Mtg Bckd FRN Aug '28 Ser 97-2001 £50.36
Do Class B £66.88
Do No 5 A Dfd Int Mtg-Bckd FRN Sep '32 £34.95
Do Class B £76.47
Do No 9 A Mtg-Bckd FRN Mar '29 Ser 97-2003 £50.79
Do Class B £66.88
Commerzbank O'seas Fin Gtd FRN 1998 $4012.85
Cordiant 6% Cv Un Ln 2015 £1.91014
Dana $0.27
Essex Furniture 1.65p
Fujitsu 3½% Bd 2000 $312.50
Do 3⅛% Bd 2000 $312.50
Gerrard 8p
Goldsmiths 2.75p
Halifax 8⅜% Nts 1999 £83.75
Jourdan (T) 0.5p
Kajima Y4.50
Lloyds Bank 11⅜% Sb Ser Bd 1998 £1137.50
Melkies Africa Z$0.30
Midland Bank Non-Cm $ Pf A1 $0.355
Do Non-Cm N/Vtg $ Pf A2 $0.08875
Do B1 $0.41
Do B2 $0.1025
Do 8⅝% Sb Nts Dec 2004 $6468.75
NEC 5.6% Bd 2000 Y560000.0
Newcastle United 0.5p
NT & T 6⅛% Nts 2001 $61.25
Pacer Infotec $0.03
Pendeford Mort No 1 A1 Mtg Bckd FRN '37 £446.64
Do Class A2 £1840.37
Do Class A3 £1850.35
Do Class A4 £1855.33
Do Class A5 £1897.72
Pennzoil $0.25
Queensborough 0.1p
Redland 5.5p
Residential Mort Sec 2 A Mtg Bckd FRN '37 £171.48
Do Class M £191.02
Do Class B £255.84
Sanwa Australia Fin Gtd Fxd/FRN 2004 $1571.96
Sapporo Breweries FRN 1999 Y4992.0
Sara Lee UK 9.43% Gtd Nd 2004 £23575.0
Seagram $0.165
South Africa 9⅝% Nts Dec 1999 $48.125
Sumitomo Realty 3.9% Nts 2000 Y380000.0
TRW $0.31
Thames Asset Global Sec 1 A2 Asset Bckd FRN '37 £1850.35
Do Class A3 £1860.32
Do Class B £1930.13
Thompson $0.155
Toyo Construction Gtd FRN 1998 $31407.64
Wagon Ind Cv Pf 3.625p
Wynnstay 1.65p

■ **TOMORROW**
Cable & Wireless 6½% Bd 2003 $65.0
Export-Im Bank Jap 8¼% Gtd Bd 2004 $412.50
Grampian 2.1p
Japan Dev Bank 6⅞% Gtd Bd 1999 $343.75
Limited $0.12
Provend 3p
Santander Fin Iss Sb Und Var Rate Nts $4170.83
Securities Tst of Scotland 1.17p
Sira Business Services 0.0337p

■ **WEDNESDAY DECEMBER 17**
CSR A$0.11
Dalgety 4.85% Cm Pf 2.26p
Ebara 7.2% Bd 1998 Y720000.0
HK & Shanghai Bank Prim Cap Und FRN (Ser 2) $75.04
Japan Airlines 5½% Bd 1999 Y550000.0
Do 5.7% Bd 2002 Y570000.0
NEC 5.7% Nd 2002 Y570000.0
National Australia Bank A$0.49
Nat West Bank 11½% Und Sb Nts £115.0
Regalian 0.475p
Royal Bank Scot Und Prim Cap FRN $308.18
Stolt-Nielsen $0.25
Sumitomo Chem 5.6% Bd 1999 Y560000.0
Tweefontein R4.91

■ **THURSDAY DECEMBER 18**
Air London 4p
BPI Cap Fin Ser A N/Vtg FRN Pf $0.48
Dickie (James) 4.04p
Estates & Agency 9.5p
Gold Int Fin A Fxd/FRN 2002 Y5500000.0
Do Tranche B Y326042.0
Do Tranche C Y548493.0
Hankyu 5.85% Bd 2002 Y585000.0
Gardner (L) 4.7p
Lloyds Bank Ser C Var Nts 1998 £184.65
MCIT 9.5p
Do S 2.5p
Do Package Units 2.5p
Northern Venture Tst 2.25p
Sanwa Aust Fin Gtd Fxd/FRN 2002 $9500.0
Tanjong M$0.08
THFC 8¾% Db 2016/21 £4.375
Woolwich 11⅝% Sb Nts 2001 £581.25
YTB Fin (Aruba) Gtd Sb Fxd/FRN $172.50
Yasuda Tst & Bank Gtd FRN 2000 $159.49

■ **FRIDAY DECEMBER 19**
Abbey Natl Treas 10½% Gtd Nts '97 L525000.0
American Int $0.075
Benfield & Rea Inv Tst 3p
BPI Cap Fin B Step-up Gtd FRN N/Vtg Pf $0.43
British Smaller Co's VCT 1.25p
Broadgate Inv Tst 2.2p
Delyn 0.5p
Export-Imp Bank Jap 9½% Gtd Bd 1997 C$85.0
Fujitsu 7⅜% Bd 1997 Y737500.0
Hambro Insurance Services 2p
Hanover Int 0.5p
Investors Cap Tst Inc Ann Rest/Vtg 1.66p
Do Units 1.66p
Le Riches Stores 6p
M & G Equity Inv Tst 0.95p
Do Units 0.95p
M & G Recovery Inv Tst 1.5p
Do Geared Units 1.5p
Do Package Units 1.5p
Taylor Nelson 0.5p
Trinity Care 1.6p
Unilever FL0.74
Unilever 2.8p
Westpac Sec Admin A Mtg Bckd FRN '29 $1313.70
Do Class B $1342.95
Wyndeham Press 2.2p

■ **SATURDAY DECEMBER 20**
Essex & Suffolk Water 4% Perp Db £2.0
Do 5% Perp Db £2.50
Thistle Hotels 7⅞%1st Mtg Db 2022 £3.8188
Do 10¾% 1st Mtg Db 2014 £5.375

UK COMPANIES

■ **TODAY**

COMPANY MEETINGS:
Henderson Far East Income Tst., 3 Finsbury Ave., E.C. 12.00
Kleinwort Second Endowment Policy Tst., 10, Fenchurch St., E.C. 12.30
Murray Split Capital Tst., 7, West Nile St., Glasgow, 2.30
Scottish Value Tst., The Caledonian Hotel, Edinburgh, 12.00

BOARD MEETINGS:
Finals:
Fountain Forestry
M.L. Labatories
Interims:
Avocet Mining
Channel Hldgs.
First Ireland
Hadleigh
MFI Furniture Grp.
Optometrics
Phonelink
Plysu

■ **TOMORROW**

COMPANY MEETINGS:
Albert Fisher Grp., Royal Lancaster Terr., W. 11.00
Chesterton Intl., Insurance Hall, 20, Aldermanbury, E.C. 3.00
Edinburgh Dragon Tst., Donaldson Hse., 97, Haymarket Terr., Edinburgh, 12.00
Exeter Invst. Grp., Royal Clarence Hotel, Cathedral Yard, Exeter, 12.00
Foreign and Colonial Eurotrust, Exchange Hse., Primrose St., E.C. 12.15
Investors Capital Tst., One Charlotte Sq., Edinburgh, 12.30

BOARD MEETINGS:
Finals:
Caspian Grp.
First Chice Holiday
Greenalls Grp.
Hill Samuel UK Emerging
Kern River
Securicor
Interims:
Batleys
Computerland UK
Euclidian
Kenwood Appliances
Toad
Universal Salvage
Utilitec
Zergo

■ **WEDNESDAY DECEMBER 17**

COMPANY MEETINGS:
Bett Brothers, Invercase Hotel, Perth Rd., Dundee 10.00
Fleming Japanese Invst. Tst., Trinity Hse., Tower Hill, E.C., 3.30
Hollas Grp., One, New Change, E.C. 9.30
Town Centre Securities, Town Centre House, The Merrion Centre, Leeds, 2.30

BOARD MEETINGS:
Finals:
Chemring Grp.
Legal & Gen. Recovery
Interims:
Carpetright
Druck Hldgs.

■ **THURSDAY DECEMBER 18**

COMPANY MEETINGS:
Air London Platinum Hse., Gatwick Rd., Crawley, West Sussex, 10.00
British Assets Tst. One, Charlotte Sq., Edinburgh, 12.00
Broadgate Invst. Tst., 99, Charterhouse St., E.C., 12.30
Edinburgh Inca Tst., Donaldson Hse., 97, Haymarket Terr., Edinburgh, 12.00
Finsbury Growth Tst., Wax Chandler's Hall, Gresham St., E.C., 11.00
Greatchester Hldgs., Mitre Hse., 160, Aldersgate St., E.C., 10.00
Kwik Save Grp., St.Davids Park Hotel, St Davids Park, Ewloe, Flintshire, 12.00
Morgan Grenfell Equity Income Tst., 23, Winchester St., E.C., 11.00
Smart (J).,28,Cramond Rd South, Edinburgh, 12.00

BOARD MEETINGS:
Finals:
London Merchant Secs.
Warner Estates
Interims:
Asda
Baring Emerging Europe
Belhaven Brewery
Creative Publishing
Fine Art Development
Jones, Stroud (Hldgs.)
Ptarmigan Int. Cap.

■ **FRIDAY DECEMBER 19**

COMPANY MEETINGS:
Galaxy Media Corp The Hyde Park Hotel, 66, Knightsbridge, S.W., 2.00
Ivory & Sime Enterprise Cap., 10, Park Pl., S.W., 10.00
Lowland Invst. Co., 3, Finsbury Ave E.C. 2.15
Overseas Invst. Tst., 23, Gt Winchester St., E.C., 11.30
Jupiter Extra Income Tst., Knightsbridge Hse., 197, Knightsbridge, S.W., 10.30
UK Estates, British Linen Bank,19/21, Spring Gdns, Manchester, 11.15
SWP Grp., Memory Crystal, 3?, Southampton Row, W.C., 10.00
Scottish Value Tst., The Caledonian Hotel, Edinburgh, 12.00

BOARD MEETINGS:
Finals:
Kelsey Inds.

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.
This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent announcements.

CONFERENCES & EXHIBITIONS

Conferences & Exhibitions

DECEMBER 17 / JANUARY 15
The Strategy & Complexity Seminar
17 December: Dr Kim James: 'An interdisciplinary approach to complex systems thinking'
15 January: John Leggate, BP: 'Organising to Learn'; Prof. Petruska Clarkson, psychologist: 'Learning to unlearn'
2.00-5.30 p.m. at LSE
£125 (academics £45)
Tel:01203 524 853 Fax: 01203 524 307
Email: A.P.Thomson@warwick.ac.uk
London School of Economics, **LONDON**

JANUARY 14
Pension Provision: Building Consensus for the Future
Conference to discuss the challenges facing the pensions industry, particularly the proposed 'stakeholder' pensions. Speakers include: John Denham MP, Mark Boleat (Association of British Insurers), Alan Nash (Equitable Life), Joanne Hlodle (NatWest Life) and Mick McTeer (Consumers Association).
Enquiries: Neil Stewart Associates
Tel: 0171 222 1280 Fax: 0171 222 1278
LONDON

JANUARY 21-22
Intensive one-day workshops
Currency Risk Management
21 January
Interest Rate Risk Management
22 January
• Risk evaluation and management • Hedging techniques including options, futures and swaps • The European Monetary Union
Smith & Williamson in co-operation with King's College London
Enquiries: Ann Monks
Tel: 0171 637 5377 Fax: 0171 631 0741
LONDON

JANUARY 27-28
New Sourcing Strategies for the Finance Function
25% of finance directors outsource part of the finance function. This conference examines these new sourcing strategies and examines potential cost savings and improved service levels.
Enquiries: Jane Mills
Tel: 0181 879 3355
Fax: 0181 879 1122
Email: jane.mills@business-intelligence.co.uk
LONDON

JANUARY 28 1998
Export Seminar
"Every Cloud Has a Silver Lining"
With the Tigers tamed turn to the Arab states: £10bn UK exports in 1997.
Stable growth, diversification, privatisation, mean new export opportunities.
Fee: £40 (inc. vat).
Enquiries: Arab-British Chamber of Commerce
Fax: 0171 396 4499
LONDON

FEBRUARY 5-6
Business Use of Intranets and Electronic Commerce
Making the business case for Intranets: Implementation; technical and security issues; VPN's: Making the E-Commerce pieces fit; Hybrid EDI; Cybershopping; Internet Banking. Case studies and presentations by BT, Glaxo Wellcome; Thomas Miller; AddHunter; Chase Manhattan; EEMA; Surrey Police; Nortel; KPMG; illustrate the use of Intranets and E-Commerce to achieve competitive edge.
Enquiries: UNICOM
Tel: 01895 256484 Fax: 01895 813095
Info@unicom.co.uk
LONDON

The Year 2000 Problem - Not just an accounting issue but a business issue with global implications
A timely seminar on Solving the Business Issues for Banks and Financial Institutions
Speakers from Bank of England, British Bankers' Association, KPMG and others will address topics including: Supervisory issues, the state of UK preparedness, legal and liability issues, budgeting and staffing implications in implementing the project plan, developing contingency plans and working with non-compliant firms.
Contact: Maria McCormack at KPMG
Tel: 0171 311 8975 Fax: 0171 311 4286
or Peter Allsopp, Email: pwa@allsopp-consultancy.co.uk
London

Managing the New IT Agenda
Solutions and strategies for managing unprecedented change in the IT Function presented by leading speakers from industry, London Business School and MIT. Senior executives in IS, corporate strategy and the finance function will gain insights and perspectives into the management of key IS issues for their organisations.
Contact: Linden Selby
Tel: +44 (0) 171 262 5050
Fax: +44 (0) 171 724 7875
E-mail: LSelby@lbs.ac.uk
http://www.lbs.ac.uk/crim/conf98/
London

February 17-18
The Euromoney International Bond Congress
A unique combination of a conference and exhibition.
It gives bond market professionals the opportunity to hear from leading experts, discuss new ideas and develop new contacts.
1998 lead sponsors include: Commerzbank, Daiwa Europe, Deutsche Morgan Grenfell, Dresdner Kleinwort Benson, ING Barings, Salomon Brothers, SBC Warburg Dillon Read, UBS and Bridge.
Over 1,100 delegates from 47 countries, including 450 investors, attended in 1997.
Contact: Catherine Hillier
Tel: +44 (0) 171 779 8322
Fax: +44 (0) 171 779 8396
DEI Centre, London

FEBRUARY 9-13
Knowledge Management Series
The first complete European KM event leads you from an Introduction to KM to Advanced Tools and Systems. Presenters include: Knowledge Associates, McKinsey & Company, The Knowledge Warehouse; Masons Solicitors; Sedecon Finland; Norwegian Technological Institute; Kennsicentrum CIBit; Cranfield School of Management; KPMG; ICL; The Syrus Group & Management Centre Europe; Coopers & Lybrand; NIP.
Enquiries: UNICOM
Tel: 01895 256 484 Fax: 01895 813 095
Info@unicom.co.uk
LONDON

FEBRUARY 16
The 14th Annual FT London Motor Conference
The changing role of the car is the theme of this major FT automotive event which will bring together high-level industry executives to discuss this and other developments shaping the sector.
Enquiries: Sarah Gibb
FT Conferences Tel: +44 171 896 2639
Fax: +44 171 896 2696
Email: sarahg@pearson-pro.com
LONDON

FEBRUARY 23 & 24
The 16th Annual FT New Media & Broadcasting Conference
This year's offers a unique opportunity to learn more about the latest developments in the broadcasting industry. Speakers include: The Rt Hon Chris Smith MP, Secretary of State for Culture, Media and Sport, Mr Richard Eyre, ITV, Mr Graham Wallace, Cable & Wireless Communications.
Enquiries: Sian Fancourt
Tel: 0171 896 2626 Fax: 0171 896 2696
Email: sianf@pearson-pro.com
LONDON

MARCH 2 & 3
FT Power in Asia
Focusing on Asia's financial turmoil and its effect on the region's power sector reform programmes, this conference will examine the new and dramatic challenges facing promoters of independent power projects.
Enquiries: Lucinda Roberts, FT Conferences
Tel: +44 171 896 2120
Fax: +44 171 896 2696/2697
Email: lucindar@pearson-pro.com
LONDON

MARCH 5 & 6
The 4th Annual World Steel Conference
Building on the success of previous events in this series of high-level forums organised by FT Conferences, in association with CRU International, this conference will provide insight into positive developments in mature markets and reassess the opportunities in emerging markets.
Enquiries: Lucinda Roberts,
FT Conferences Tel: +44 171 896 2120
Fax: +44 171 896 2696
Email: lucindar@pearson-pro.com
LONDON

MARCH 16 & 17
FT World Pharmaceuticals Conference
Confirmed speakers at this major FT conference, arranged with Coopers & Lybrand, include Mr Timothy G Rothwell, President, Rhône-Poulenc Rorer Inc, Mr Richard de Souza, Chairman, Europe, SmithKline Beecham Pharmaceuticals, Dr Peter Read, Chairman, Hoechst Marion Roussel Ltd and Mr Jeffery F Harris, Chief Executive, UniChem PLC
Enquiries: Sarah Gibb,
FT Conferences Tel: +44 171 896 2639
Fax: +44 171 896 2696
Email:sarahg@pearson-pro.com
LONDON

MARCH 19-21
The Third Croatian Financial Forum
Croatia's premiere annual event for recognizing achievement in Money and Capital Markets. Meeting place for foreign and domestic investors, financial experts and business people.
• Exhibition places • conferences • presentations • advertising in the Catalogue
Organizer: INFOINVEST
Tel: +385(1)391360 Fax: +385(1)391359
Email: forum@infoinvest.com
Zagreb, CROATIA

MARCH 26 & 27
Mediterranean Capital Markets
The British Government, as Presidency of the EU, is pleased to announce this major two day conference, supported by the European Commission and FT Conferences, examining fast-growing capital markets of the Southern Mediterranean region. Speakers include: Mr Kemal Dervis, Vice President, Middle East North Africa Region, The World Bank, Dr Youssef Boutros-Ghali, Minister of Economy, Ministry of Economy, Egypt
Enquiries: Sian Fancourt
Tel: 0171 896 2626 Fax: 0171 896 2696
Email: sianf@pearson-pro.com
The Guildhall, LONDON

LANGUAGE COURSES

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Dec 12		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
[illegible]													
Saudi Arabia	(SR)	6.1966	-0.0066	945 - 986	6.2446	6.1941	6.1898	1.3	6.1752	1.4	6.1139	1.3	-
Singapore	(S$)	2.7402	+0.0376	377 - 427	2.7506	2.7141	2.7555	-6.7	2.784	-3.5	2.7536	-0.5	-
South Africa	(R)	8.0809	-0.0177	760 - 858	8.1452	8.0760	8.1497	-10.2	6.2403	-7.9	8.6189	-6.7	-
South Korea	(Won)	2828.39	-15.07	441 - 438	2999.17	2735.70	-	-	-	-	-	-	-
Taiwan	(T$)	53.6676	+0.3813	224 - 128	53.8873	53.6224	53.6143	1.2	53.4937	1.3	52.9983	1.3	-
Thailand	(Bt)	74.3904	+2.278	439 - 368	74.9900	72.1010	74.8276	-7.1	75.2681	-4.7	77.637	-4.4	-

† Rates for Dec 11. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 12		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index
[illegible]													
Philippines	(Peso)	37.8500	+1.85	000 - 000	38.8000	37.6000	38.555	-19.1	39.5005	-16.3	43.7035	-15.2	-
Saudi Arabia	(SR)	3.7505	-	504 - 506	3.7506	3.7504	3.7514	-0.3	3.7534	-0.3	3.7631	-0.3	-
Singapore	(S$)	1.6585	+0.0245	575 - 595	1.6600	1.6370	1.67	-8.3	1.68	-5.2	1.6935	-2.1	-
South Africa	(R)	4.8910	-0.0055	895 - 925	4.8965	4.8895	4.9333	-17.8	5.0082	-9.6	5.301	-8.4	-
South Korea	(Won)	1712.50	-7.3	000 - 500	1610.00	1650.00	-	-	-	-	-	-	-
Taiwan	(T$)	32.4825	+0.265	650 - 000	32.5250	32.4000	32.4935	-0.4	32.515	-0.4	32.595	-0.3	-
Thailand	(Bt)	45.0250	+1.425	500 - 000	45.5000	43.5000	45.35	-8.7	45.75	-6.4	47.75	-6.1	-

‡ SDR rate per $ for Dec 11. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Dec 11: Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

[illegible]

EURO CURRENCY INTEREST RATES

Dec 12	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]					
Danish Krone	[illegible]					
German Mark	[illegible]					
Dutch Guilder	[illegible]					
French Franc	[illegible]					
Portuguese Esc.	[illegible]					
Spanish Peseta	[illegible]					
Sterling	[illegible]					
Swiss Franc	[illegible]					
Canadian Dollar	[illegible]					
US Dollar	[illegible]					
Italian Lira	[illegible]					
Japanese Yen	[illegible]					
Asian $Sing	6 - 5¾	7⅛ - 6⅞	7⅛ - 6⅞	7⅛ - 6⅞	7⅛ - 6⅞	7⅛ - 6⅞

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.10	94.11	+0.01	94.12	94.09	64,068	364,352
Mar	94.17	94.20	+0.04	94.20	94.16	145,833	479,011
Jun	94.15	94.20	+0.05	94.20	94.15	119,949	377,436

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.97	94.95	-	94.97	94.93	365	3,319
Mar	95.09	95.12	+0.05	95.13	95.07	453	7,036
Jun	95.09	95.10	+0.03	95.10	95.06	15	933

All Open Interest figs. are for previous day

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Dec 12		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.45	16.23	4.845	1.868	4747	5.459	18.85	495.4	408.8	21.21	3.918	1.654	3.882	2.732	356.0	2.453
Denmark	(DKr)	54.16	10	8.794	2.625	1.011	2573	2.958	10.76	268.5	222.1	11.50	2.123	0.896	2.104	1.481	192.9	1.329
France	(FFr)	61.63	11.37	10	2.986	1.150	2925	3.364	12.24	305.3	252.5	13.07	2.415	1.019	2.393	1.684	219.4	1.511
Germany	(DM)	20.64	3.809	3.349	1	0.385	979.8	1.127	4.098	102.3	84.58	4.379	0.809	0.341	0.801	0.564	73.49	0.506
Ireland	(I£)	53.58	9.887	8.694	2.596	1	2543	2.925	10.64	265.4	219.6	11.37	2.099	0.886	2.080	1.464	190.6	1.314
Italy	(L)	2.107	0.389	0.342	0.102	0.039	100	0.115	0.418	10.44	8.632	0.447	0.083	0.035	0.082	0.058	7.500	0.052
Netherlands	(Fl)	18.32	3.380	2.972	0.887	0.342	869.6	1	3.637	90.74	75.06	3.886	0.718	0.303	0.711	0.500	65.22	0.449
Norway	(NKr)	50.37	9.294	8.173	2.440	0.940	2391	2.750	10	249.5	206.4	10.68	1.974	0.833	1.955	1.376	179.3	1.235
Portugal	(Es)	20.19	3.725	3.276	0.978	0.377	958.3	1.102	4.008	100	82.72	4.282	0.791	0.334	0.784	0.552	71.87	0.495
Spain	(Pta)	24.40	4.503	3.960	1.182	0.455	1158	1.332	4.845	120.9	100	5.177	0.956	0.404	0.947	0.667	86.88	0.599
Sweden	(SKr)	47.14	8.699	7.649	2.284	0.880	2238	2.574	9.360	233.5	193.2	10	1.847	0.780	1.830	1.288	167.8	1.158
Switzerland	(SFr)	25.52	4.709	4.141	1.236	0.476	1212	1.393	5.067	126.4	104.6	5.414	1	0.422	0.991	0.697	90.87	0.626
UK	(£)	60.47	11.16	9.812	2.930	1.129	2871	3.301	12.01	299.6	247.8	12.83	2.369	1	2.348	1.652	215.3	1.483
Canada	(C$)	25.76	4.753	4.180	1.248	0.481	1223	1.406	5.114	127.6	105.6	5.464	1.009	0.426	1	0.704	91.71	0.632
USA	($)	36.60	6.754	5.939	1.773	0.683	1737	1.998	7.267	181.3	150.0	7.764	1.434	0.605	1.421	1	130.3	0.898
Japan	(Y)	28.09	5.183	4.558	1.361	0.524	1333	1.533	5.577	139.1	115.1	5.958	1.101	0.464	1.090	0.767	100	0.689
Ecu	-	40.77	7.524	6.618	1.975	0.761	1936	2.226	8.095	202.0	167.1	8.649	1.598	0.674	1.583	1.114	145.2	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.5678	0.5629	-0.0047	0.5691	0.5627	11,046	38,396
Mar	0.5705	0.5659	-0.0047	0.5717	0.5656	52,894	58,969
Jun	0.5701	0.5687	-0.0047	0.5701	0.5683	132	4,280

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.7030	0.6960	-0.0060	0.7034	0.6958	2,497	21,587
Mar	0.7095	0.7035	-0.0060	0.7116	0.7033	30,211	38,315
Jun	0.7120	0.7106	-0.0060	0.7125	0.7110	23	1,511

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.7710	0.7688	-0.0020	0.7724	0.7662	6,709	58,203
Mar	0.7813	0.7774	-0.0020	0.7824	0.7768	33,034	91,468
Jun	0.7885	0.7883	-0.0020	0.7900	0.7876	38	1,657

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	1.6574	1.6500	-0.0068	1.6640	1.6480	6,634	28,164
Mar	1.6516	1.6428	-0.0068	1.6588	1.6396	8,865	23,408
Jun	1.6430	1.6358	-0.0068	1.6430	1.6340	14	1,281

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Dec	Jan	Feb	PUTS Dec	Jan	Feb
1.640	0.84	2.08	2.66	0.02	1.36	2.26
1.650	0.14	1.56	2.22	0.03	1.91	2.73
1.660	0.13	1.15	1.80	1.03	2.43	3.31

Previous day's vol., Calls 2,505 Puts 1,305 . Prev. day's open int., Calls 35,514 Puts 29,650

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Dec	Jan	Feb	PUTS Dec	Jan	Feb
0.560	0.90	0.82	1.22	0.04	0.49	0.71
0.565	0.03	0.64	0.95	0.17	0.72	0.94
0.570	0.03	0.44	0.73	0.61	1.02	1.25

Previous day's vol., Calls 405 Puts 1,889, Prev. day's open int., Calls 11,537 Puts 34,010

UK INTEREST RATES

LONDON MONEY RATES

Dec 12	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	8 - 6	7¼ - 7⅛	[illegible]			
Sterling CDs	-	-	[illegible]			
Treasury Bills	-	-	[illegible]		-	-
Bank Bills	-	-	[illegible]			-
Local authority deps.	7⅛ - 7	7¼ - 7⅛	[illegible]			
Discount Market deps	7¼ - 7⅛	7¼ - 7	-	-	-	-

UK clearing bank base lending rate 7¼ per cent from Nov 6, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¼

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on Dec 12, 7.0309pc. ECGD fixed rate Stlg. Export Finance. Make up day Nov 28, 1997. Agreed rate for period Dec 24, 1997 to Jan 28, 1998, Scheme III 8.84pc. Reference rate for period Nov 1, 1997 to Nov 28, 1997, Schemes IV & V 7.601pc. Finance House Base Rate 7½pc from Dec 1, 1997

BANK OF ENGLAND TREASURY BILL TENDER

	Dec 12	Dec 5		Dec 12	Dec 5
Bills on offer	£100m	£100m	Top accepted rate	7.0593%	7.0794%
Total of applications	£457m	£597m	Ave. rate of discount	7.0309%	7.0653%
Total allocated	£100m	£100m	Average yield	7.1557%	7.1919%
Min. accepted bid	£98.240	£98.235	Offer at next tender	£100m	£100m
Allotment at min. level	32%	80%	Min. accept. bid 28 days	-	-

■ Pound in New York

Dec 12	— Close —	— Prev. close —
£ spot	1.6510	1.6570
1 mth	1.6488	1.6549
3 mth	1.6440	1.6430
1 yr	1.6248	1.6306

FT GUIDE to WORLD CURRENCIES
The FT Guide to World Currencies table can be found on the Markets page in today's edition.

BASE LENDING RATES

	%		%		%
Adam & Company	7.25	Exeter Trust Limited	8.25	●Singer & Friedlander	7.25
Allied Irish Bank (GB)	7.25	Financial & Gen Bank	8.00	●Smith & Williamson	7.25
●Henry Ansbacher	7.25	●Robert Fleming & Co	7.25	Sun Banking Corp Ltd	7.25
Banco Bilbao Vizcaya	7.25	●Guinness Mahon	7.25	TSB	7.25
Bank of Cyprus	7.25	Habib Bank AG Zurich	7.25	United Bank of Kuwait	7.25
Bank of Ireland	7.25	●Hambros Bank	7.25	Unity Trust Bank Plc	7.25
Bank of India	7.25	Heritable & Gen Inv Bk	7.25	Whiteaway Laidlaw	7.25
Bank of Scotland	7.25	C. Hoare & Co	7.25	Yorkshire Bank	7.25
Barclays Bank	7.25	Hongkong & Shanghai	7.25		
Brit Bk of Mid East	7.25	Investec Bank (UK) Ltd	7.25	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	7.25	Julian Hodge Bank	7.25	* In administration	
Citibank NA	7.25	●Leopold Joseph & Sons	7.25		
Clydesdale Bank	7.25	Lloyds Bank	7.25		
The Co-operative Bank	7.25	Midland Bank	7.25		
Coutts & Co	7.25	NatWestminster	7.25		
Cyprus Popular Bank	7.25	●Rea Brothers	7.25		
Duncan Lawrie	7.25	Royal Bk of Scotland	7.25		
		Scottish Widows Bank	7.25		

OTHER STATISTICS

STOCK INDICES

	Dec 12	Dec 11	Dec 10	Dec 9	Dec 8	1997 High	1997 Low	Since comp. High	Since comp. Low
FTSE 100	5045.2	5035.9	5130.7	5177.1	5187.4	[illegible]	4056.6	[illegible]	986.9
FTSE 250	4757.9	4763.8	4769.3	4781.6	4781.0	[illegible]	4386.2	[illegible]	1379.4
FTSE 250 ex IT	4787.8	4793.3	4803.3	4813.1	4811.8	[illegible]	4380.7	[illegible]	1378.3
FTSE 350	2431.7	2427.6	2466.0	2485.3	2488.3	3546.4	2017.9	3546.4	664.5
FTSE SmallCap	2300.55	2298.82	2305.10	2305.59	2304.29	2408.20	2178.29	2408.20	1363.79
FTSE SmallCap ex IT	2305.22	2303.53	2305.72	2304.08	2301.96	2402.72	2138.02	2402.72	1363.79
FTSE All-Share	2375.46	2371.64	2407.18	2424.81	2428.34	2492.41	1969.78	2492.41	61.92

	Dec 12	Dec 11	Dec 10	Dec 9	Dec 8	1997 High	1997 Low	Since comp. High	Since comp. Low
FTSE Fledgling	1253.03	1249.89	1252.25	1252.88	1251.82	[illegible]	1223.48	[illegible]	31.14
FTSE Eurotrack 100	2535.72	2537.06	2580.19	2598.86	2593.01	2794.80	1893.80	2794.80	900.45
FTSE Eurotrack 200	2650.86	2648.76	2690.35	2708.14	2708.50	2786.32	1947.11	2786.37	938.82
FT 30	3235.80	3228.30	3267.40	3291.30	3281.50	3430.30	2879.89	3430.30	49.40
FT Govt Secs	[illegible]								49.18
FT Fixed Interest	[illegible]								50.53
FTSE Gold Mines	[illegible]								903.02

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1997 High	1997 Low	Stock	Closing price p	+or-
640	Nil	29/12	210pm	190pm	FI Group	195pm	
350	Nil	17/12	42pm	30pm	Green Property	40pm	
60	Nil	2/1	17½pm	15½pm	Taylor Nelson	15½pm	

pm premium.

LONDON RECENT ISSUES: EQUITIES

[illegible]

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

BANK RETURN

BANKING DEPARTMENT	Wednesday December 11, 1997 £	Increase or decrease for week £
Liabilities		
Capital	14,553,000	
Public deposits	1,259,086,440	-31,964,300
Bankers deposits	2,690,625,949	-57,948,640
Reserve and other accounts	3,202,717,759	+114,603,904
	7,166,983,148	+24,690,964
Assets		
Government securities	1,390,150,743	+14,830,000
Advance and other accounts	5,104,923,487	-79,528,274
Premise, equipment and other secs	660,133,823	+83,131,520
Notes	11,651,834	+6,159,890
Coin	123,261	-2,172
	7,166,983,148	+24,690,964
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	22,938,348,166	+153,840,110
Notes in Banking Department	11,651,834	+6,159,890
	22,950,000,000	+160,000,000
Assets		
Other Government securities	16,305,443,554	+3,967,409,424
Other Securities	6,644,556,446	-3,807,409,424
	22,950,000,000	+160,000,000

FTSE GOLD MINES INDEX

[illegible]

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UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

Approved by the Inland Revenue

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

Approved by the Inland Revenue

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	Wk% ch'nge	Div net	Div cov	Mkt cap£m	Last xd	City line
Anglo Am Ind R		3234	...	0585c	♦	1,781	26.8	–
Barlow	♣	852	–3.7	0124e	♦	1,064	12.96	–
Gold Flds Prop R		120	...	065c	1.5	123	7.9	–
SA Brews		†£13½xd	–5.9	0285c	–	4,077	1.12	4113
Standard Bank		£20¼	–3.2	0434e	–	3,022	25.8	–
Tiger Oats		820xd	0.3	0164c	♦	1,238	8.12	–
Tongaat-Hulett		745½xd	1.3	0142c	♦	723.6	0.12	–

TRADED INDEX SECURITIES

	Notes	Price	Wk% ch'nge	Div net	Div cov	Mkt cap£m	Last xd	City line
FTSE 100 TRANS		520200d	...	–	–	–	24.11	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise indicated. For FTSE Index constituents and reserves, last trade prices at or prior to market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS")

Net dividends are shown in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Dividend covers are calculated on a "net" basis.

Market capitalisations shown are calculated separately for each line of stock quoted.

- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue, cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. g Assumed dividend. h Assumed dividend after scrip issue. ia Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend includes a special payment. t Indicated dividend: cover relates to previous dividend. x Forecast, or estimated annualised dividend rate, cover based on previous year's earnings.

z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1996-97. H Assumed dividend after pending scrip and/or rights issue. O Dividend based on prospectus or other official estimates for 1997. K Dividend based on prospectus or other official estimates for 1995. L Estimated annualised dividend, cover based on latest annual earnings.

M Dividend based on prospectus or other official estimates for 1997-98. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £3425 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: **Additions:** Tokai Bank (BkRt), Advance UK Trust (InTr), CRC, Minorplanet Systems (AIM). **Deletions:** Greenby (E&EE), Kidston Gold Mines (ExIn), Matheson Lloyds, Do Warrants (Ins), WEW (RtGn), BSM (SpSv) Marling Inds (Text).

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OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda
UK Pvt Advisers 0800 414181 Jersey 01534 71696
Private Clients 0800 414161 Hong Kong (852) 848 1000

	Init Charge	Selling Price	Buying Price	Yield Gr's	City-Line
A$ Accum		A$20.125		3.80	40907
C$ Accum		C$18.165		2.78	40901
DM Accum		DM38.187		2.40	41228
DFl Accum		Dfl32.340		2.20	40898
ECU Accum		Ecu13.937		5.20	41230
FFr Accum		FFr68.879		2.30	41362
HK$ Accum		HK$139.00		5.30	41376
Lira Accum		L25268		5.20	41389
NZ$ Accum		NZ$42.952		6.60	41544
£ Accum		£13.939		6.30	41546
SFr Accum		SFr20.507		0.21	41550
US$ Accum		$24.727		4.60	41370
Yen Accum		Y2883.4		0.10	41582

Prices for dealing December 12

Jupiter Asset Management (Bermuda) Ltd
PO Box HM1258, Hamilton, Bermuda 001 441 292 2760

Royal Bk of Canada O/S Fd Mgrs Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

Sarnia Funds Mngmt (Guernsey) Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

BERMUDA (REGULATED)(**)

GUERNSEY (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

IRELAND (FSA RECOGNISED)

Scottish Value Management (Ireland) Ltd (u)
St Stephen's Green, Dublin 2

	Init Charge	Selling Price	Buying Price	Yield Gr's	City-Line
UK Growth		£2.98	0.60	-	49830
European Growth		£3.68	3.75	-	49831
Broker Value		£1.4080		-	45755
Relative Value $		$1.0345		-	45565

INVESTORS Fund Services (Ireland) Ltd

Dragon Korea Fund Plc

	Selling Price	Buying Price	Yield Gross	City-Line
NAV	£1.185		-	55007

Dresdner Kleinwort Benson Int Mgt Srv
Al Mezan Commodity Fund Plc

	Selling Price	Buying Price	Yield Gross	City-Line
NAV Nov 30	$100.72		-	47225

Singer & Friedlander Inv Funds Ltd (u)
21 New Street, Bishopsgate, EC2M 4HR

Eagle Star European Life Assurance Co Ltd

Edgehill Select Group

Egerton Capital European Fund Plc

IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

Allied Dunbar Intl Fund Mgrs (1000)F
43-51 Athol Street, Douglas, IOM

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

AIB Govett Management (Jersey) Limited

JERSEY (REGULATED)(**)

LUXEMBOURG (FSA RECOGNISED)

Offshore Funds and Insurances

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Bank Von Ernst & Cie AG

[illegible]

Frontrunner I (u)

[illegible]

Morgan Stanley Sicav - Contd.

[illegible]

ACM Offshore Funds - Contd.

[illegible]

Credit Suisse Asset Mgmt Funds - Contd.

[illegible]

Merrill Lynch Asset Management - Contd.

[illegible]

TCW Luxembourg Funds

[illegible]

Target International Ltd

[illegible]

Templeton Emerging Asia

[illegible]

Templeton Russian & East European Debt Fd

[illegible]

OFFSHORE INSURANCES

[illegible]

Friends Provident International

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LUXEMBOURG (REGULATED)(**)

ACM Offshore Funds

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FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Dec 12 / Sch)

BELGIUM/LUXEMBOURG (Dec 12 / Frs.)

CZECH REP (Dec 12 / Korune)

DENMARK (Dec 12 / Kr)

FINLAND (Dec 12 / Mka)

FRANCE (Dec 12 / Frs.)

GERMANY (Dec 12 / Dm.)

GREECE (Dec 12 / Drachma)

ITALY (Dec 12 / Lire)

NETHERLANDS (Dec 12 / Fls.)

NORWAY (Dec 12 / Kroner)

POLAND (Dec 12 / Zloty)

PORTUGAL (Dec 12 / Escudo)

SPAIN (Dec 12 / Pta.)

SWEDEN (Dec 12 / Kronor)

SWITZERLAND (Dec 12 / Frs.)

TURKEY (Dec 12 / Tk Lira)

PACIFIC

JAPAN (Dec 12 / Yen)

AUSTRALIA (Dec 12 / Aus$)

HONG KONG (Dec 12 / H.K.$)

INDONESIA (Dec 12 / Rupiah)

MALAYSIA (Dec 12 / MYR)

NEW ZEALAND (Dec 12 / NZ $)

SINGAPORE (Dec 12 / S$)

SOUTH KOREA (Dec 12 / Won)

TAIWAN (Dec 12 / TWS)

THAILAND (Dec 12 / Baht)

AFRICA

SOUTH AFRICA (Dec 12 / Rand)

NORTH AMERICA

CANADA

TORONTO (Dec 12 / Can $)

4 pm close

MONTREAL (Dec 12 / Can $)

4 pm close

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY DECEMBER 12 1997 US Dollar Index	%chg since 31/12/96	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/96	Gross Div. Yield	THURSDAY DECEMBER 11 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (74)	192.68	-13.2	172.91	158.71	177.63	193.45	4.1	3.92	195.87	175.57	161.14	180.57	195.47	243.87	190.41	213.00
Austria (23)	187.95	-1.0	168.67	154.81	173.26	173.15	13.9	1.92	187.02	167.64	153.87	172.42	172.30	213.59	175.14	187.38
Belgium (27)	252.52	10.9	226.61	208.00	232.79	227.92	27.8	3.02	252.48	226.32	207.73	232.77	227.70	261.11	221.31	223.52
Brazil (30)	212.90	12.2	181.06	175.37	196.27	437.89	20.6	2.03	212.47	190.45	174.80	195.89	435.79	322.44	178.98	179.83
Canada (122)	212.88	12.1	191.04	175.35	196.24	219.03	16.2	1.60	211.73	189.79	174.19	195.19	218.83	233.66	178.27	184.80
Denmark (32)	437.47	24.3	392.59	360.35	403.29	401.85	42.3	1.27	434.05	389.07	357.11	400.16	399.66	437.47	334.25	337.65
Finland (28)	274.50	11.8	246.33	226.10	253.05	307.81	29.6	2.04	274.56	246.10	225.88	253.12	308.25	349.49	232.86	240.15
France (84)	230.12	7.5	206.51	189.55	212.14	214.38	22.8	2.49	230.00	206.17	189.23	212.04	214.22	246.23	203.73	204.73
Germany (58)	224.69	18.3	201.64	185.08	207.13	207.19	38.1	1.42	222.56	199.50	183.11	205.18	205.18	243.87	183.03	187.13
Hong Kong, China (66)	352.22	-30.5	316.08	290.12	324.69	350.45	-30.4	4.56	348.38	312.28	286.62	321.18	346.62	580.03	314.78	497.11
Indonesia (27)	65.36	-71.4	58.66	53.84	60.25	201.49	-39.1	3.34	77.35	69.33	63.64	71.31	217.33	254.90	65.36	224.19
Ireland (16)	403.49	22.7	362.09	332.35	371.96	368.37	41.8	2.55	402.39	360.69	331.05	370.96	368.04	409.57	310.29	312.80
Italy (53)	110.50	32.4	99.16	91.02	101.87	143.38	51.2	1.70	109.90	98.51	90.42	101.32	142.58	115.27	79.11	79.28
Japan (482)	96.32	-25.4	86.44	79.34	88.79	79.34	-16.2	1.00	97.79	87.65	80.45	90.15	80.45	141.12	95.81	135.23
Malaysia (107)	158.55	-72.1	151.26	138.84	155.38	247.65	-57.8	2.94	174.94	156.81	143.93	161.28	252.49	660.85	169.55	588.99
Mexico (27)	1670.56	37.0	1499.17	1376.04	1540.02	14913.36	42.0	1.63	1664.44	1491.98	1369.38	1534.47	14913.36	1901.98	1147.95	1169.48
Netherlands (19)	402.56	10.8	361.26	331.59	371.10	367.12	38.3	2.29	402.11	360.44	330.83	370.71	366.69	440.67	313.78	316.60
New Zealand (14)	79.38	-13.5	71.24	65.39	73.18	70.69	2.5	4.37	80.69	72.33	66.38	74.39	71.86	96.47	75.37	91.44
Norway (38)	326.92	10.6	293.36	269.29	301.38	322.45	25.9	1.69	328.35	294.32	270.14	302.71	322.27	374.64	277.33	282.24
Philippines (22)	81.94	-59.8	73.53	67.49	75.53	154.98	-41.9	1.35	86.93	77.92	71.52	80.14	157.25	214.07	79.40	201.07
Singapore (42)	238.40	-43.2	213.95	196.37	219.78	182.21	-32.7	1.75	244.40	219.07	201.07	225.32	184.03	448.01	216.21	411.87
South Africa (43)	252.72	-20.8	226.79	205.17	232.97	270.17	-17.0	3.20	251.92	225.81	207.26	232.25	269.61	370.12	251.92	311.13
Spain (33)	268.79	22.3	241.22	221.41	247.79	305.41	41.0	2.21	266.90	239.24	219.58	246.05	302.96	277.33	198.92	199.62
Sweden (49)	465.77	10.4	417.99	383.66	429.38	535.34	25.5	1.94	457.68	410.21	384.77	431.16	538.58	538.94	402.43	408.38
Switzerland (31)	332.24	39.5	298.16	273.67	306.28	295.39	48.7	1.14	331.00	296.70	272.32	305.18	295.34	332.47	231.69	238.92
Thailand (39)	20.85	-78.2	18.71	17.17	19.22	36.43	-61.8	7.89	21.91	19.64	18.03	20.20	37.06	109.16	20.85	107.94
United Kingdom (214)	327.53	15.7	293.93	269.79	301.94	293.93	19.8	3.35	327.34	293.41	269.31	301.76	293.41	337.99	264.87	266.07
USA (642)	388.40	28.7	348.55	319.93	358.06	388.40	28.7	1.59	389.22	348.89	320.22	358.83	389.22	401.22	293.43	296.99
Americas (821)	352.72	27.7	316.54	290.54	325.16	297.86	28.1	1.61	353.32	316.70	290.68	325.73	298.22	365.75	268.24	271.42
Europe (705)	283.20	18.2	254.15	233.28	261.07	265.37	29.8	2.41	282.50	253.22	232.42	260.44	264.68	298.25	227.46	229.15
Nordic (147)	408.91	12.7	366.96	336.82	376.96	410.13	28.8	1.84	409.56	367.11	336.95	377.58	411.08	464.93	345.30	350.71
Pacific Basin (873)	106.51	-28.4	95.58	87.73	98.16	88.55	-19.2	1.68	108.02	96.83	88.87	99.59	89.58	158.99	106.51	163.17
Euro-Pacific (1578)	180.21	-3.4	161.72	148.44	166.13	154.98	6.6	2.16	180.80	162.06	148.75	166.68	155.34	209.12	173.55	184.73
North America (764)	377.30	27.8	338.59	310.78	347.82	377.04	28.1	1.60	377.97	338.80	310.98	348.45	377.78	389.57	286.81	290.22
Europe Ex. UK (491)	253.24	19.6	227.26	208.60	233.45	243.41	35.8	1.87	252.33	226.18	207.60	232.63	242.66	267.07	202.63	204.48
Pacific Ex. Japan (391)	198.22	-37.1	177.88	163.27	182.73	197.80	-27.4	3.96	200.37	179.60	164.85	184.72	198.33	320.65	194.30	308.10
World Ex. US (1800)	183.65	-2.5	165.01	151.46	169.51	161.44	7.1	2.15	184.37	165.26	151.68	169.97	161.77	212.89	178.94	186.56
World Ex. UK (2228)	242.40	10.8	217.53	199.66	223.46	220.26	16.5	1.66	243.06	217.87	199.97	224.08	220.84	262.69	211.16	217.01
World Ex. Japan (1960)	326.39	19.2	292.90	268.89	300.89	319.44	24.1	1.98	326.60	292.75	268.70	301.09	319.59	344.35	264.51	266.41
The World Index (2442)	249.62	11.3	224.01	205.61	230.11	226.96	16.9	1.86	250.21	224.28	205.85	230.67	227.43	268.47	216.61	221.22

 CONSTITUENT CHANGE WITH EFFECT 16/12/97: Deletion: Central Fidelity Bank (USA). CONSTITUENT CHANGES DURING THE WEEK ENDING 12/12/97: Addition: Austria Tabak (Large Cap) (Share weighting 40.5%) (Austria). Deletions: Elektrowatt (Bearer) (Switzerland) and Redland (UK). Name changes: Japan Synthetic Rubber to JSR Corp (Japan) and Nordbanken to Nordbanken Holdings (Sweden). Market closed 12/12/97: Mexico.

Emerging markets: IFC Investable indices

Dollar terms

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4 pm close December 12

NEW YORK STOCK EXCHANGE PRICES

- A -

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
40 3/8	34 1/4	AAR	0.48	1.3	20	107	38 1/2	38 1/4	38 1/2	+1/16
50 1/4	33 1/8	AMP	1.04	2.6	10	10365	40 5/8	39 1/8	40 1/16	-1/4
132 1/16	78 1/4	AMR			10	6243	132	127	127	-1 7/8
37 5/8	19	ASA	1.20	6.1	13	652	20 3/16	19 1/16	19 1/4	+1/16
69 1/4	49 1/4	AbbotL	1.60	1.8	20	7106	57 1/4	66 1/2	66 5/8	
20 1/2	12 1/2	AbtiBi	0.40	3.2	0	3968	13 1/4	12 5/8	12 3/4	
30 1/2	17 5/8	ABM Ind	0.40	1.3	26	119	30 1/8	29 3/4	30	-1/8
28 3/4	17 1/4	Acceptance			11	5	25 3/16	25 3/16	25 3/16	
101 3/16	58 1/8	ACE Ltd x	0.80	1.0	11	1910	93 1/4	92	92	
11 1/4	10	ACM Gvt In x	0.90	8.2	12	278	11	10 15/16	11	
8 1/4	7	ACM GvOpp x	0.63	7.9		105	8 1/16	8	8	-1/16
10 1/2	9 1/4	ACM Mgd x	0.85	9.1		395	10	9 5/8	9 3/4	-1/8
10 3/8	5 1/8	Acme Elect				382	5 1/2	5 1/4	5 1/4	-1/8
20	9 5/8	Acme Mills				78	10 3/8	9 3/4	9 3/4	-1/8
24 5/8	14	ACNielsen			40	521	22 3/16	22 1/4	22 1/8	
29 1/4	16 1/4	Acuson			41	741	17 3/8	17	17 1/4	+1/4
35 1/2	19 3/8	Adams Expr x	0.55	2.4	1	122	23 1/4	22 7/8	22 7/8	-1/8
48 1/2	18 3/4	Adelphia				11384	19 3/4	d17 1/2	18 1/16	-1/2
27 1/2	10 1/8	Advest Grp	0.12	0.5	16	35	22 1/8	21 7/8	22	-1/8
23 7/8	11 5/8	Aeroflex			15	582	21 3/4	21 1/16	21 1/2	-1/4
88 3/8	51 1/8	Aeroquip	1.31	1.5	24	295	87 1/2	85 3/4	86 1/2	-1 1/8
12 1/2	3 1/2	Aetna				877	8 1/2	7 1/4	7 3/4	-1/2
57 1/2	33	Aero-V x	0.26	1.8	14	842	40	48 1/4	48 1/4	-1/8
49 5/8	24	AES Corp				2869	42 1/8	41 3/4	41 3/4	+1/16
118 1/4	68 1/4	Aetna	0.80	1.0	27	3985	101	78	78 1/4	+1/16
32	19 1/2	AlfCom			29	655	22 1/4	22 1/8	22 1/8	+1/4
57 1/4	37 1/2	Aflac ♣	0.46	1.6	10	2180	48 1/4	47 3/4	40	-1/4
35 1/8	19 1/4	AGCO	0.04	0.1	10	1622	29	28 1/2	28 3/4	-1/8
21 1/4	17 1/4	AGL Res	1.08	0.6	13	830	19 3/4	20	19 3/4	+1/16
64 3/4	32	Ahmanson	0.80	1.4	16	2911	62 3/8	61 1/4	61 1/2	-1/8
88 5/8	68 1/4	AirPrC	1.20	1.0	19	2511	77 1/16	75	76 1/4	-1/8
74 3/4	22 1/4	Airbus Frt	0.30	0.4	15	3410	70	67 1/2	69	+1 1/4
24 1/2	13 1/2	Airgas ♣			37	1329	13 5/8	d13 1/16	13 3/8	
17 5/8	8 1/2	AirTouch	2.80	20.2	8	48	13 3/8	13 1/4	13 1/4	

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- B - [illegible]

- C - [illegible]

- D - [illegible]

- E - [illegible]

- F - [illegible]

- G - [illegible]

- H - [illegible]

- I - [illegible]

- J - [illegible]

- K - [illegible]

- L - [illegible]

- M - [illegible]

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- O - [illegible]

- P - Q - [illegible]

- R - [illegible]

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- V - [illegible]

- W - [illegible]

- X - Y - Z - [illegible]

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. s-split. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Dealings suspended.

GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Dec 12	Dec 11	Dec 10	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7838.30	7848.99	7873.79	8259.31 (6/8)	6391.69 (11/4)	8259.31 (6/8/97)	41.22 (8/7/32)
Home Bonds	104.86	104.57	104.51	104.86 (4/12)	101.08 (14/4)	104.86 (4/12/97)	54.99 (1/10/81)
Transport	3236.81	3243.86	3334.90	3359.27 (15/10)	2222.07 (2/1)	3359.27 (15/10/97)	13.23 (8/7/32)
Utilities	261.49	259.30	260.42	261.49 (12/12)	209.47 (25/4)	261.49 (12/12/97)	16.53 (8/7/32)

DJ Ind. Day's high 7947.21 (7961.64) Low 7756.73 (7778.37) (Theoretical)
Day's high 7904.94 (7973.97) Low 7784.33 (7815.17) (Actual)

Standard and Poors	Dec 12	Dec 11	Dec 10	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	953.39	954.94	968.79	983.79 (5/12)	737.01 (2/1)	983.79 (5/12/97)	4.40 (1/6/32)
Industrials‡	1102.24	1105.51	1123.17	1148.82 (7/10)	855.42 (11/4)	1148.82 (7/10/97)	3.52 (30/6/32)
Financial‡	117.37	117.06	118.86	120.92 (8/12)	80.75 (2/1)	120.83 (8/12/97)	7.13 (4/9/74)
Others							
NYSE Comp.	500.00	500.42	507.70	514.31 (5/12)	389.47 (11/4)	514.31 (5/12/97)	4.64 (25/4/42)
Amex Comp	665.90	664.45	668.45	721.90 (7/10)	541.20 (28/4)	721.90 (7/10/97)	524.20 (16/7/96)
NASDAQ Cmp	1536.58	1553.54	1506.61	1745.85 (9/10)	1201.00 (2/4)	1745.85 (9/10/97)	54.87 (3/10/74)
Russell 2000	422.83	424.70	432.81	465.21 (13/10)	335.85 (25/4)	465.21 (13/10/97)	123.38 (7/12/93)

RATIOS

	Dec 5	Nov 28	Nov 21	Year ago
Dow Jones Ind. Div. Yield	1.68	1.74	1.73	2.05
	Dec 10	Dec 3	Nov 26	Year ago
S & P Ind. Div. yield	1.48	1.48	1.50	1.85
S & P Ind. P/E ratio	26.09	26.33	25.78	23.04

US DATA

MARKET ACTIVITY

Volume (million)	Dec 12	Dec 11	Dec 10
NYSE	578.243	628.752	605.570
Amex	28.002	32.264	29.571
NASDAQ	786.986	834.205	750.546

NYSE	Dec 12	Dec 11	Dec 10
Issues Traded	3,428	3,464	3,452
Rises	1,473	745	1,004
Falls	1,430	2,256	1,968
Unchanged	523	453	479
New Highs	112	84	132
New Lows	112	142	75

NYSE TRADING ACTIVITY — Volume : 578,243,000

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Compaq	9,409,700	56¾	−¾
IBM	8,750,200	99⅞	−1¼
Safeway	6,637,900	59	−⅞
Green Tree	5,588,800	22⅛	−1½
Texas Inst	5,381,000	41⅛	−1⅛
Tel Brasil	4,971,800	101⅛	+⅛
Philip Morris	4,313,800	45⅛	+⅞
Motorola	4,278,500	58¾	−⅛
Hilton Hotels	3,858,300	29⅞	+¼
Citicorp	3,832,000	128⅞	−1⅛

BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Ionics	39⅞	+3½	+9.3
Hambrecht	38⅛	+2⅞	+8.5
Centura Bnk	64½	+3¾	+5.5
Cons Ed	40	+2⅛	+5.4
Downs			
PT Telek	9½	−2⅞	−22.8
Gulf Ind	20⅛	−3⅜	−14.3
K2	23⅛	−3⅛	−12.8
Cameco	29¾	−3⅛	−9.9

NASDAQ TRADING ACTIVITY — Volume : 786,986,000

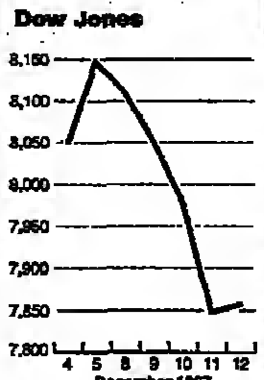
ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Elec Imag	32,110,300	14⅞	−24⅝
Cisco Sys	25,851,800	76⅛	−6⅝
Appld Matl	20,205,000	28¾	−1⅛
Intel	19,558,300	70½	−1⅛
Oracle	18,383,400	22¾	+⅛
Qualcomm	11,262,200	50⅞	−6⅞
Dell Cmptr	10,922,900	88¾	−⅝
Microsoft	6,751,000	136¾	−2⅛
Quantum	6,066,800	18⅞	−1
Seg Rit	5,870,000	22¾	

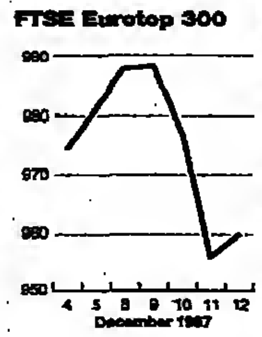
BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Spectra	12⅝	+2½	+25.0
Oswego City	30	+5	+20.0
Spine Tech	44¼	+6⅞	+18.4
Fst State	22	+2¾	+14.3
Downs			
Micropath	13⅞	−7⅛	−34.0
Film Host	10¾	−5¼	−33.9
Vesta Inst	19⅝	−7	−26.1
Littelfuse	17¾	−5⅛	−22.8

Dow Jones



FTSE Eurotop 300



JAPAN

	Dec 12	Dec 11	Dec 10	1997 High	1997 Low	Since compilation High	Since compilation Low
Nikkei 225	15904.30	16050.15	16478.12	20681.07	15082.52	38915.9	85.25

TOKYO TRADING ACTIVITY — Volume : 978,000,000

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Hokk Takui ■	34,808,000	1	
Yamaichi Sec	24,795,000	2	+1
Np Steel Cp	23,714,000	121	+2
NKK Corp	14,794,000	109	−1
Aoki Corp	14,813,000	46	+7
Fuji Bank	13,497,000	590	−23
Kawasaki Steel	12,571,000	155	−9
Stomo Mil Ind	11,881,000	183	−18
Toshiba Cp	10,421,000	539	+10
Sakura Bank	9,753,000	467	+7

BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Aoki Corp	46	+7	+18
Cosmo Secs	100	+14	+16.3
Naga Elect	838	+100	+13.6
Tanaid Shop	405	+40	+11
Downs			
Toshoku Fi	254	−76	−23
Kaiten	239	−60	−20.1
Godo Teel	102	−18	−15
Zenel Corp	300	−51	−14.5

FRANCE

	Dec 12	Dec 11	Dec 10	1997 High	1997 Low	Since compilation High	Since compilation Low
CAC 40	2830.26	2828.45	2932.10	3094.01	2256.97	3094.01	984.61

PARIS TRADING ACTIVITY — Volume : 384,469,570

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Michelin B	1,731,065	294	−1.8
Elf Aqtne	1,346,417	641	−18
Usinor	1,310,569	80.45	−0.55
Rho-Poulenc A	1,115,000	256.5	+4.5
Paribas	1,097,752	508	
Total B	1,013,209	587	−4
Fr Telecom	964,940	211.1	+1
Danone	905,788	1060	+38
Axa-UAP	812,083	452.5	+8.8
B.N.P.	770,654	336	+11.2

BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Ecia	1098	+145	+15.2
Labs Dolisos	132.3	+12.3	+10.3
Crdge d'Azur	784	+71	+10
Grd Bzr Lyn	150	+11	+9.5
Downs			
Valeo	62.5	−6.5	−9.4
Carbone	11	−1.1	−9.1
VEV	13.25	−1.25	−8.6
Loc-Soflgros	250	−19	−7.1

GERMANY

	Dec 12	Dec 11	Dec 10	1997 High	1997 Low	Since compilation High	Since compilation Low
DAX	4082.60	4030.18	4117.27	4438.93	2848.77	4438.93	931.18

FRANKFURT TRADING ACTIVITY — Volume : 10,176,458

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Siemens	825,430	103.9	+0.5
Commzbank	606,679	68.2	+1.3
Bayer	647,948	62.12	−0.58
Deutsche Bk	514,727	122.3	+2.25
Lufthansa Rg	421,477	34.48	+0.78
Veba	385,288	114.2	+2.8
Dt Telekom	377,861	33.7	−0.05
BASF	375,281	62	+0.5
Hoechst	324,381	62.5	+0.75
Daimler-Benz	293,362	122.7	+0.1

BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Deutz	13.15	+2.2	+20.1
Bigsenl Bds	39.70	+2.75	+7.4
Dyerr	58.5	+4	+7.3
Lutype Hell	64	+4.2	+7
Downs			
Man-Hum	469	−30	−6.1
Fag Kugfshr	26.10	−1.65	−5.9
Fim & Gline	121	−6.5	−5.1
Praktiker Bau	23.50	−1.2	−4.9

UK

	Dec 12	Dec 11	Dec 10	1997 High	1997 Low	Since compilation High	Since compilation Low
FTSE 100	5045.2	5035.9	5130.7	5330.80	4056.60	5330.8	986.9

LONDON TRADING ACTIVITY — Volume : 573,200,000

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
BSkyB	21,555,750	428	−13
BTR	15,417,050	181½	−1½
Lucasvarity	14,958,720	199	+6½
Shell T&T	11,015,670	428	−3
Hanson	10,419,580	81½	+1½
Centrica	10,358,340	90½	−1¼
Vodafone	9,372,808	409	−8
Williams	8,237,410	330½	+2¼
Allid Colloids	7,055,736	165½	−½
BT	6,214,163	474½	+2¼

BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Graham Hs	23½	+5	+26.7
Hartstone	8½	+1½	+21.4
Proteus Int	48½	+8	+19.7
Medeva	25½	+4	+18.8
Downs			
Chaseil	68½	−13	−16.6
Investco Ker	25	−3	−10.7
Tradepoint	45	−7½	−16.3
Ionica	89	−8½	−8.7

INDEX FUTURES

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
S&P 500							
Dec	960.00	955.50	+1.10	962.00	947.20	88,185	214,732
Mar	962.50	968.40	+1.10	974.50	957.50	181,155	203,823
Nikkei 225							
Mar	16220.0	15950.0	−150.0	16240.0	15720.0	31,510	158,004
Jun	16110.0	15840.0	−150.0	16110.0	15690.0	292	29,305
CAC-40 (200 x index)							
Dec	2847.0	2833.0	+1.0	2870.0	2827.0	12,725	40,525
Jan	2852.0	2840.0	+1.0	2869.5	2839.5	772	7,822
DAX							
Dec	4030.0	4067.0	+44.0	4091.5	4030.0	19,887	65,489
Mar	4084.0	4103.5	+46.0	4125.5	4064.0	4,896	18,346
OMX							
Dec	2372.00	2332.00	−27.00	2377.00	2330.00	4,801	29,155
Jan	2382.00	2341.50	−26.25	2382.00	2339.50	537	3,138
SOFFEX							
Dec	6021.0	6015.0	+20.0	6046.0	5985.0	4,374	22,016
Jan	6025.0	6024.0	+47.0	6025.0	5995.0	455	3,697

Open interest figures for previous day.

WORLD MARKETS AT A GLANCE

Country	Index	Dec 12	Dec 11	Dec 10	1997 High	1997 Low	Yield	P/E
[illegible]								

NASDAQ NATIONAL MARKET

4 pm close December 12

[illegible]

NASDAQ NATIONAL MARKET

[illegible]

AMEX PRICES

4 pm close December 12

[illegible]

EASDAQ

[illegible]

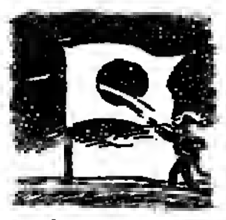
FT GUIDE TO THE WEEK

MONDAY 15

Agriculture talks

European Union agriculture ministers and officials will decide in Brussels today or tomorrow whether to postpone by three months a ban on the use of cattle parts. The ban, prompted by the the BSE mad cow disease, is due to take effect from January 1. It is strongly opposed by the US which argues it would upset trade, since cattle parts including tallow are essential components in a variety of products including pharmaceuticals and food. Several EU countries also oppose the ban. The Commission has proposed delaying implementation until April to allow differences to be resolved.

Open skies deal in the air



Japan and the US will hold their sixth round of sub cabinet-level talks on aviation over three days to Wednesday in Tokyo. The US has been pressing Japan to open its aviation market further but Japan has resisted a US call for "open skies." During the last round of talks, Washington accepted Tokyo's key demand that All Nippon Airways be added to the four so-called incumbent carriers that enjoy special rights under the 1952 treaty. There still remain several differences between the two nations, such as the number of additional flights allowed for non-incumbent carriers and the issue of so-called "beyond rights."

Kuwait fallout

The United Nations Compensation Commission, in charge of restitution to the victims of Iraq's 1990 invasion of Kuwait, meets for three days in Geneva to adjudicate more claims. The commission has already paid out $725.6m from the proceeds of Iraqi oil sales, mostly to individuals who suffered loss or injury. This week it will be considering claims from individuals for losses of over $100,000, and from companies and governments which make up the bulk of the $200bn-plus in total claims received by the commission.

Madeleine's travels

US Secretary of State Madeleine Albright visits Zimbabwe in the final stages of her Africa tour.

Guyana goes to vote

Guyana's incumbent People's Progressive party is the front runner in the presidential and legislative elections, and opinion polls suggest that US born Janet Jagan, the 77 year-old widow of a former president, will become the first woman to be elected president of a South American country. She is being challenged by former president Desmond Hoyte of the Peoples' National Congress which held office for 28 years until 1992. A resurgent economy in the English-speaking republic of 800,000 people has helped the incumbent party, which started life as a Marxist organisation but which now preaches the virtues of a free market.

Nelson Mandela will hand over the presidency of the African National Congress at its annual conference starting on Tuesday

TUESDAY 16

Telecoms deal on hold

Trade officials meet at the World Trade Organisation in Geneva to decide when to put into force a landmark accord on telecommunications liberalisation reached last February. Only 50 of the 69 countries that signed the deal were able to ratify by the December 1 deadline to bring the agreement into force on January 1. The pact itself is not in danger but signatories are likely to delay the entry into force for perhaps a couple of months to give the remaining countries time to ratify. They include such important markets as Belgium, Brazil, Spain and Argentina.

The little people

The annual report of the United Nations Children's Fund (Unicef), the State of the World's Children, focuses on the problem of malnutrition which causes millions of child deaths each year and stunts the development of many more. Noting that children can be malnourished even when eating enough to satisfy hunger, the New York-based agency says recent developments in nutritional science may help to limit and even prevent some killer diseases. Thus iodisation of edible salt has already helped to cut the prevalence of mental retardation from iodine-deficiency, the report points out.

Mandela steps down

Nelson Mandela steps down as African National Congress president at the ANC's 50th annual conference which ends on Saturday. The congress will elect its new leader, widely expected to be Thabo Mbeki, the current deputy president.

Kyoto follow-up

European Union environment ministers meet in Brussels with last week's agreement in Kyoto to limit greenhouse gases high on the agenda. Appropriately they will be given an update on the state of negotiations with the car industry on measures to cut carbon dioxide emissions. Other subjects under discussion include the fight against acidification.

Nato expansion talks

Foreign ministers of the 16 Nato allies meet today in Brussels to sign accession protocols with Poland, Hungary and the Czech republic so that the three east European countries can formally join the alliance on its 50th anniversary in April 1999. During their two-day meeting, Nato ministers will also hold special separate discussions with their Russian and Ukrainian counterparts as well as a plenary session with a wide range of east European ministers in the Euro-Atlantic Partnership Council.

Security report

The Organisation for Security and Co-operation in Europe is holding its sixth ministerial council meeting in Copenhagen on Tuesday and Wednesday. The two-day conference is expected to discuss peace efforts in the former Yugoslavia and the dispute over Nagorno-Karabakh, the ethnic Armenian enclave which broke away from Azerbaijan in the late 1980s.

Asean summit

Economic issues are expected to dominate a three-day series of summit meetings bringing together 12 east Asian nations, in light of the financial crisis in south-east Asia. The event celebrates the 30th anniversary of the founding of the Association of South East Asian Nations (Asean). Asean, which was expanded earlier this year, now has nine members; Malaysia, Singapore, Indonesia, Thailand, Burma, Laos, Brunei, the Philippines and Vietnam. During the summit, Asean will meet among itself and separately with the leaders of Japan, China and South Korea. Then the 12 nations will meet all together. This meeting will be the first time the leaders of east Asia have gathered without the participation of the US. One question of interest will be whether a decision is taken to make the summit an annual event between the 12 nations. Such a determination would not be to the liking of the US.

Surveys

Mexican Finance and Investment; Japanese Industry.

Holidays

Bahrain, Bangladesh, Kazakhstan, South Africa.

WEDNESDAY 17

Goodbye Progress

Crew of the Mir space station will detatch the Progress M-36 cargo ship in preparation for the arrival next Monday of its replacement, M-37, which will be launched on Saturday from the Baikonur launch site in Kazakhstan.

Survey

Macedonia.

Holiday

Bhutan.

THURSDAY 18

Korean duel

South Korea chooses a new president in a closely-fought election between Lee Hoi-chang, the government candidate, and Kim Dae-jung, the veteran centre-left opposition leader. Mr Kim has edged slightly ahead in recent days due to a public backlash against the tough terms of the International Monetary Fund's $57bn rescue package of the world's 11th largest economy. But analysts believe the election is still too close to call. Foreign investors will eagerly await its outcome since Mr Kim has criticised the IMF deal, while Mr Lee has pledged his full support.

Party time

Jamaica's Peoples' National party is tipped to retain office for a third consecutive term in a general election which is being witnessed by a delegation of high profile foreign observers, led by Jimmy Carter, former US president and Colin Powell, former chief of the US Joint Chiefs of Staff. A PNP win would keep Percival Patterson in the prime minister's office. He is being challenged by Edward Seaga, a former prime minister who leads the Labour party, and Bruce Golding of the National Democratic Movement.

Greek stoppage

Greek trade unions hold a 24-hour general strike, timed to coincide with a debate in parliament of the 1998 budget. The strike, a traditional pre-Christmas ritual ignored by most private sector workers, is in protest against the Socialist government's wage and tax policies. Government offices, state-controlled banks and public transport in Athens will be affected. Some flights by Olympic Airways, the state carrier, may be delayed. The Socialists plan to impose a virtual freeze on public sector wages next year and will try to crack down on tax evasion in an effort to meet the Maastricht criteria on inflation and the budget deficit in 1998. Achieving these targets would allow Greece to join the Euro by 2002.

Dab hands

European Union fish ministers meet in Brussels for a marathon session to discuss quotas. Traditionally the talks last well into the night and last year Emma Bonino, fish commissioner, collapsed from exhaustion. That deal resulted in catches of about 30 species including cod, mackerel and North Sea herring.

Survey

Reporting Britain.

Holiday

Niger.

FRIDAY 19

Trade report

The Geneva-based World Trade Organisation publishes its annual report giving the first estimates for trade growth in 1997, which it has already said will show an acceleration from the 5 per cent volume increase in merchandise trade recorded in 1996. The report also devotes a chapter to reviewing the interaction between trade and competition policy, especially restrictive practices by enterprises, and possible areas for international co-operation. WTO members are already looking at whether the world trade body should extend its rules into this area.

I, Will . . .

William Hague, leader of the UK's opposition Conservative party, marries Ffion Jenkins in the Crypt Chapel of the House of Commons.

SUNDAY 21

US and them

Residents of Nago city, Okinawa vote in a referendum to decide whether to support the Japanese government's plan to construct a heliport and relocate a US military base in the prefecture. The outcome will affect the government's plan to make a first major step in reducing the US military presence in Okinawa, as agreed last year by Japan and the US. The Japanese government has promised to finance economic projects in the city in exchange for the citizens' co-operation.

Deadline Sarajevo

The deadline set by the Organisation for Security and Co-operation in Europe for the implementation of the results of September's municipal elections in Sarajevo expires.

Compiled by Roger Beale. Fax: (+44) (0)171 873 3196.

ECONOMIC DIARY

Other economic news

Monday: The December Tankan survey in Japan is forecast to show a strong decline. Analysts are looking towards a fall from a previous index value of plus 3 to minus 3, reinforcing fears that the Japanese economy is heading into recession.

Tuesday: US inflation is expected to remain subdued. November consumer prices are forecast to have gone up by an annual rate of 2.2 per cent in the core measure, after to 2.3 per cent in October.

Wednesday: UK retail sales statistics have been subject to strong volatility of late. After the strong rebound in October, analysts are looking for a sharp decline in November.

Thursday: Some forecasters suggest that the Asian crisis might have affected the Ifo business climate index in Germany. The index is expected to show a small decline in November due to lower export expectations.

Friday: German money supply in 1997 is expected to have remained in the Bundesbank target corridor of 3.5 per cent to 6.5 per cent. The annualised rate is forecast to be 5 per cent.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Italy	Oct industrial production†*	0.6%	-0.7%
Dec 15	Italy	Oct industrial production not†**	4.2%	6.7%
	US	Nov industrial production		0.4%R
	US	Nov capacity utilisation		82.9%R
	Japan	Nov money supply (M2-CD)**	2.9%	2.7%
	Japan	Nov broad liquidity**		3.2%
Tues	Japan	Oct industrial production†		-0.4%
Dec 16	Japan	Oct shipments†		-0.7%
	Germany	Nov Ifo West business climate index	99.9	99.7
	UK	Nov public sector borrowing reqmnt	2.0bn	-5.7bn
	US	Nov consumer price index		0.2%
	US	Nov consmr prce indx ex food & energy		0.2%
	US	Nov housing starts		1.53m
	US	Nov building permits		1.48m
	Canada	Oct manufacturing new orders	0.5%	0.2%
	Canada	Oct manufacturing shipments*	1.0%	-0.3%
	US	Bank of Tokyo-Mitsubishi Dec 13		-0.3%
	US	Nov real earnings		0.3%
	US	Redbook Dec 13		1.5%
	Japan	Dec whlsle price indx (first 10 days)		-0.1%
Wed	UK	Nov unemployment	-25k	-10k
Dec 17	UK	Oct average earnings	4.5%	4.25%
	UK	Oct unit wages three months**	2.2%	2.1%
	UK	Nov retail sales*	-0.3%	2.8%
	UK	Nov retail sales**	4.3%	6.4%
	Canada	Nov leading indicators†*	0.5%	0.6%
	Japan	Nov trade bal (customs cleared) not†	Y1.15tn	Y670bn
Thurs	UK	Nov M4*	0.6%	0.8%
Dec 18	UK	Nov M4**	10.3%	10.8%
	UK	Nov M4 lending	£4.0bn	£1.2bn
	US	Oct trade: goods and services		-$11.1bn
	US	Oct goods & srvcs export (bal of pays)		$78.0bn
	US	Oct goods & srvcs import (bal of pays)		$89.1bn
	Canada	Oct wholesale trade†*	1.0%	1.8%
	Canada	Oct merchandise exports†*	1.0%	0.2%
	US	Dec Philadelphia fed index		10.1
Fri	France	Oct industrial production†*	0.9%	-1.0%
Dec 19	France	Oct industrial production ex-energy*	0.8%	-1.0%
	Italy	Oct quarterly unemployment	12.0%	11.7%
	Canada	Nov consumer pr. indx all items not†*	0.1%	0.1%
	Canada	Oct retail sales†*	0.5%	0.3%
	US	Nov treasury budget		-$35.6bn
During the week...				
	Japan	Nov Tokyo department store sales**		-4.7%
	Germany	Nov wholesale price index*	-0.3%	-0.5%
	Germany	Nov M3 from Q4 96 base	5.0%	5.1%
	Germany	Nov M3 from Q4 95 base	6.6%	6.7%
	HK	Nov forex reserves		$91.8bn
	Germany	Nov producer price index*	0.0%	-0.1%

*month on month, **year on year (seasonally adjusted. *Statistics, courtesy Standard & Poor's MMS.*

MONDAY PRIZE CROSSWORD

No.9,558 Set by ADAMANT

Six bottles of Davys Celebration Champagne for the first correct solution opened and three runner-up prizes of £40 Davys food and wine vouchers redeemable in person or by post. These prizes are available only to winners living in England, Scotland and Wales. Winners with overseas addresses will receive a set of silver-plated place name bases and cards. Solutions by Tuesday December 23, marked Monday Crossword 9,558 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday December 29. Please allow 28 days for delivery of prizes.

Name..........

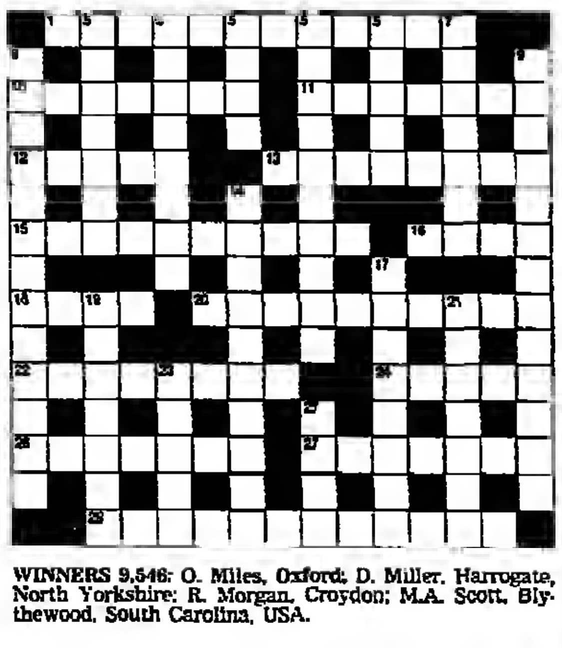
Address..........

ACROSS

1 Hides leaves until crushed (4,2,6)
10 Is very good social worker out to become musician? (7)
11 Sailor sounds surprised about oriental ship's kitchen (7)
12 Recommend removing front of hoist (5)
13 Rages about back oil – it's for women only (8)
15 Not enough time to equalise after batting (10)
16 Way union leader first dealt with boss (4)
18 Dead good individual (4)
20 A highly nervous condition? (10)
22 Nine slim using Russian leader's principles (8)
24 Key opens door – remarkable! (5)
26 Dismounts and leaves (4,3)
27 I race to destroy some naughty books (7)
28 Coming round a tree leap out like Betjeman? (4,8)

DOWN

2 Making love in a car admittedly plays music! (7)
3 Coming into hut topless diver appeared cold (8)
4 Hiding in the boathouse, curse (4)
5 Soldiers making an escape? (10)
8 Shadow head of university takes male underwear (5)
7 Possibly tear and discard permit (7)
8 Slow-moving people double parking to go in for car parts (8,5)
9 Helps show time motoring organisation returned used vehicle (6-4,3)
14 Originally selling about two hundred assorted US fuels, is flourishing (10)
17 Kicked Ben on his tibia! (8)
19 No top names to be entered continuously (7)
21 Wager comedian must get cross in between (7)
23 So one jockey needed to catch a horse? (5)
25 Live with a socially acceptable lover (4)



WINNERS 9,546: O. Miles, Oxford; D. Miller, Harrogate, North Yorkshire; R. Morgan, Croydon; M.A. Scott, Blythewood, South Carolina, USA.

Solution 9,546

COMPANY NOTICES

JOTTER PAD